

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

## **BOLIVIA**

### **PROGRAM FOR THE REVITALIZATION AND URBAN DEVELOPMENT OF LA PAZ**

**(BO-0216)**

### **LOAN PROPOSAL**

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## **APPENDICES**

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## **BASIC SOCIOECONOMIC DATA**

For basic socioeconomic data, including public debt information, please refer to the following address:

<http://www.iadb.org/RES/index.cfm?fuseaction=externallinks.countrydata>

## INFORMATION AVAILABLE IN THE TECHNICAL FILES OF RE1

### Preparation:

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URANI, André. Recomendaciones para el Diseño del Componente de Promoción Económica [Recommendations for designing the economic promotion component]. March 2004.

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**Execution:**

Operating Regulations and annexes thereto

## ABBREVIATIONS

AMSB	artisans, microentrepreneurs and small business owners
CAM	Centros Autogestionarios de Multiservicios [independent multiservice centers]
CUC	Casco Urbano Central [Central Urban Core]
DDRNMA	Dirección de Recursos Naturales y Medio Ambiente, Prefectura de La Paz [La Paz Municipal Natural Resources and Environment Directorate]
EIAs	environmental impact evaluation study
ETA	Especificaciones Técnicas Ambientales [technical environmental specifications]
ODD	Oficialía de Desarrollo Humano [Human Development Office]
PAS	Plan de Acción Social [social action plan]
PASA	Plan de Aplicación y Seguimiento Ambiental [environmental enforcement and monitoring plan]
PCA	Plan de Concertación y Acompañamiento [consensus and support plan]
PEU	program executing unit
PRF	Plan de Readecuación Financiera [financial adjustment plan]
PROPEF	Project Preparation and Execution Facility
PRU	Programa de Revitalización y Desarrollo Urbano de La Paz [program for the revitalization and urban development of La Paz]
PUC	Parque Urbano Central [Central Urban Park]
SECI	Sistema de Evaluación de Capacidad Institucional [system for evaluating institutional capacity]
SIES	Sistema de Informaciones Económicas y Sociales [economic and social information system]
VIPFE	Viceministerio de Inversión Pública y Financiamiento Externo [Vice Ministry of Public Investment and External Financing]



# BOLIVIA

## IDB LOANS

APPROVED AS OF APRIL 30, 2004

	US\$Thousand	Percent
<b>TOTAL APPROVED</b>	<b>3,434,150</b>	
DISBURSED	2,884,940	84.00 %
UNDISBURSED BALANCE	549,210	15.99 %
CANCELATIONS	243,453	7.08 %
PRINCIPAL COLLECTED	1,178,589	34.31 %
<b>APPROVED BY FUND</b>		
ORDINARY CAPITAL	1,201,274	34.98 %
FUND FOR SPECIAL OPERATIONS	2,160,385	62.90 %
OTHER FUNDS	72,491	2.11 %
<b>OUTSTANDING DEBT BALANCE</b>	<b>1,706,351</b>	
ORDINARY CAPITAL	467,987	27.42 %
FUND FOR SPECIAL OPERATIONS	1,232,662	72.23 %
OTHER FUNDS	5,702	0.33 %
<b>APPROVED BY SECTOR</b>		
AGRICULTURE AND FISHERY	344,146	10.02 %
INDUSTRY, TOURISM, SCIENCE AND TECHNOLOGY	229,454	6.68 %
ENERGY	574,804	16.73 %
TRANSPORTATION AND COMMUNICATIONS	764,887	22.27 %
EDUCATION	135,344	3.94 %
HEALTH AND SANITATION	388,806	11.32 %
ENVIRONMENT	43,865	1.27 %
URBAN DEVELOPMENT	74,508	2.16 %
SOCIAL INVESTMENT AND MICROENTERPRISE	249,954	7.27 %
REFORM AND PUBLIC SECTOR MODERNIZATION	485,373	14.13 %
EXPORT FINANCING	24,478	0.71 %
PREINVESTMENT AND OTHER	118,531	3.45 %

\* Net of cancellations with monetary adjustments and export financing loan collections.





**Inter-American Development Bank**  
Regional Operations Support Office  
Operational Information Unit

## Bolivia

### Tentative Lending Program

#### 2004

Project Number	Project Name	IDB US\$ Millions	Status
BO0216	Reactivation of the Center of La Paz	28.5	
*BO1004	Banco BISA Trade Finance Partial Credit Guarantee	25.0	
BO1001	Restructuring of Private Enterprises	10.0	
BO0200	Northern Corridor Highway Program - 1st Stage	22.0	
*BO1002	Bolivian Transmission Lines	31.5	
<b>Total - A : 5 Projects</b>		<b>117.0</b>	
BO0220	Support to Bolivian Competitiveness System	10.0	
BO0224	Rural Electrification	10.0	
<b>Total - B : 2 Projects</b>		<b>20.0</b>	
<b>TOTAL 2004 : 7 Projects</b>		<b>137.0</b>	

#### 2005

Project Number	Project Name	IDB US\$ Millions	Status
BO0207	National Transparency Program	15.0	
BO0209	Justice Sector Support	10.0	
BO0210	Rural Infrastructure Program	10.0	
BO1003	National Plan for Properties Rights	20.0	
BO0215	La Paz Public Transportation Improvement	20.0	
BO0223	Drenage for the Municipality of La Paz	20.0	
<b>Total - A : 6 Projects</b>		<b>95.0</b>	
BO0202	Local Development Fiscal Adjustment Stage II	40.0	
<b>Total - B : 1 Projects</b>		<b>40.0</b>	
<b>TOTAL - 2005 : 7 Projects</b>		<b>135.0</b>	

**Total Private Sector 2004 - 2005** **56.5**

**Total Regular Program 2004 - 2005** **215.5**

**\* Private Sector Project**



# BOLIVIA

## STATUS OF LOANS IN EXECUTION AS OF APRIL 30, 2004

(Amount in US\$ thousands)

APPROVAL PERIOD	NUMBER OF LOANS	AMOUNT APPROVED*	AMOUNT DISBURSED	% DISBURSED
<b><u>REGULAR PROGRAM</u></b>				
Before 1998	8	314,829	257,714	81.86 %
1998 - 1999	7	237,900	97,837	41.13 %
2000 - 2001	5	112,000	31,429	28.06 %
2002 - 2003	12	339,700	112,002	32.97 %
<b><u>PRIVATE SECTOR</u></b>				
2002 - 2003	2	112,000	72,723	64.93 %
<b>TOTAL</b>	<b>34</b>	<b>\$1,116,429</b>	<b>\$571,705</b>	<b>51.21 %</b>

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\* Net of cancellations. Excludes export financing loans.

# PROGRAM FOR THE REVITALIZATION AND URBAN DEVELOPMENT OF LA PAZ

(BO-0216)

## EXECUTIVE SUMMARY

<b>Borrower:</b>	Republic of Bolivia	
<b>Executing agency:</b>	Municipal government of La Paz	
<b>Amount and source:</b>	IDB (FSO):	US\$28.5 million
	Local:	US\$ 5.6 million
	Total:	US\$34.1 million
<b>Financial terms and conditions:</b>	Amortization period:	40 years
	Disbursement period:	5 years
	Grace period:	10 years
	Commitment period:	4.5 years
	Minimum disbursement period:	3 years
	Interest rate:	1% during the grace period 2% thereafter
	Inspection and supervision:	1%
	Credit fee:	0.5%
<b>Objectives:</b>	The objective is to promote the urban, social and economic development of La Paz by reversing the process of physical and social deterioration in the city center. The purpose is to boost productivity and income, with social inclusion, through investments to improve the urban and environmental quality of the inner city and the socioeconomic situation of vulnerable groups, and to raise the incomes of people who work in the city center.	
<b>Description:</b>	The program has three components to achieve its objectives: (a) rehabilitation of the urban environment; (b) promotion of social and economic development; and (c) institutional strengthening.	
	<ol style="list-style-type: none"> <li>1. Rehabilitation of the urban environment (US\$21.7 million)</li> </ol> <p>The objective of this component is to reverse deterioration in the</p>	

center of La Paz by financing public investments to promote a rise in property values, improve the supply of public spaces, circulation, and infrastructure for commercial and services activities, and reduce the environmental vulnerability of the city center. Two subcomponents will be financed: (a) strategic urban interventions in the Parque Urbano Central [Central Urban Park] (PUC); and (b) upgrading public spaces in the city center.

The first subcomponent will construct stage one of the city's central park, involving 8 hectares out of a total of 40 hectares, by providing recreational equipment on a metropolitan scale, recovering and consolidating a neglected urban green space, and reducing erosion in the area. Specific projects will be financed for infrastructure, circulation, and forestation in the northwest sector of the park, adjacent to the city center.

The second subcomponent will improve circulation and infrastructure for commercial and services activities, increase property values and reduce environmental vulnerability in the inner city. Projects will be financed in the following eligible investment categories: (a) roads and transportation; (b) infrastructure for disaster prevention; (c) public spaces; and (d) infrastructure to support economic development.

This component will also finance social support services and consensus-building activities to strengthen execution of the works through: (i) surveys and studies of the affected population; (ii) focus groups and workshops to identify their demands; (iii) focus groups and workshops to agree on projects; (iv) preparation of specific mitigation plans; and (v) actions to follow up on the beneficiaries.

## 2. Promotion of social and economic development (US\$4.5 million)

This component is intended to improve the quality of life of the population of the La Paz metropolitan area that lives or works in or uses the city center, through social and economic development activities. The component has three subcomponents: (a) social development and support for vulnerable groups; (b) support for productivity and informal employment in the city center; and (c) consensus-building and social support services.

The first subcomponent will finance a **competitive social development fund**, which will select projects presented by civil society organizations that provide services for vulnerable groups, particularly people who work in the streets, and help women, older adults and the disabled to join the workforce.

The second will finance a **competitive productive fund** to support training and technical assistance projects for microentrepreneurs and small business owners, organized in associations, and for self-employed workers, organized into independent multiservice centers (CAMs). Support will also be provided for the establishment of a public-private enterprise that promotes the certification and marketing of products made in metropolitan La Paz; the establishment of CAMs to certify and promote the services of self-employed workers; and the development of an information system on those sectors. An estimated 6,000 individuals will benefit.

This component will also finance social support services under the pertinent component.

### 3. Institutional strengthening (US\$2.7 million)

This component will develop the municipal government's capacity to design and execute policies and investments for urban and environmental development, economic promotion, and the provision of social services for the poorest groups, either directly or through companies or organizations. The component will finance technical assistance and equipment under the following subcomponents: (a) a La Paz city center development corporation; (b) strengthening of operating areas; (c) strengthening of the administrative and financial area; and (d) program promotion and dissemination.

#### **The Bank's country and sector strategy:**

The Bank's strategy with Bolivia supports three lines of action: (i) improving the management and transparency of the State; (ii) supporting the competitiveness and sustainable development of the private sector; and (iii) improving efficiency and equity in the provision of basic services. The program fits in with the third line of action, since it seeks to improve efficiency and equity in the delivery of services that are the municipality's responsibility.

The program is consistent with the Bank's strategy for subnational development and supports the following aspects that are the responsibility of local governments highlighted by the strategy: (i) promote local economic development; (ii) promote quality and efficiency in the delivery of services; and (iii) finance infrastructure that is essential for public well-being and for stepping up economic activities.

**Environmental and social review:**

The program consists of social investments and physical investments in infrastructure, and seeks to maximize the environmental benefits of the projects by including environmental considerations in their design, operation, and monitoring. Its impact will be positive at the level of each intervention and overall, considering the synergies of the different investments. The aim is to reduce environmental degradation in the center of La Paz, reclaim the landscape value, attenuate the impact of rainwater, increase the coverage of green areas and the amount of permeable land, and improve traffic flows and social intercourse in the city center. The institutional strengthening component will improve land and environmental management capacity. Mitigation of environmental impacts and implementation of the respective laws and regulations have been included in the program's environmental and social strategy. An environmental impact assessment study was carried out and made available to the public on 13 August 2003 and an environmental implementation and monitoring plan was prepared and forms part of the program's Operating Regulations.

The program also has a social action plan for the design of consensus-building and social support plans in each subproject. The plans regulate and guide the processes of participation, mitigation of the impact of urban renewal, and relocation of families and businesses affected by the program's investments. The social inclusion activities focus on building income-generating capacity among the population that lives and/or works in the center city streets, with particular attention to women, children and teenagers, through daycare and return to school projects.

**Benefits:**

The main benefit that the program will bring is economic and social development in central La Paz by attracting, promoting, and maintaining economic activities. The program is targeted to improving the socioeconomic situation of vulnerable groups in the city center, raising the income of people who engage in economic activities there, and reducing human and material losses in the area caused by natural disasters. The program promotes expansion of the ethnic and social inclusion process. It consolidates the participatory decision-making model used by the La Paz municipal government and supports its strategy to combat urban poverty.

**Risks:** Political-administrative risk. The fragile political and social situation in the country could deteriorate and affect the priority and continuity of the program. This risk is mitigated through an intensive process of consensus building, incorporating the agreements into contracts and legislation to provide the stability needed for orderly execution and monitoring. These instruments will mitigate the risk from future political-administrative changes as a result of the municipal elections to be held at the end of this year.

Risk of lack of continuity. The problem of scant coordination and continuity of policies is mitigated by creating a coordination committee and the institutional strengthening activities for the municipality. The risk that the city council will not pass legislation for central La Paz or create a downtown development corporation is low, thanks to the consensus built up during program preparation. The risks of slow execution and lack of maintenance will be mitigated by using turnkey contracts and by the financial commitment to maintain the program's projects using the local counterpart.

**Special  
contractual  
clauses:**

The following will be conditions precedent to the first disbursement: (i) entry into force of the subsidiary agreement between the Bolivian government and the municipality of La Paz; (ii) establishment of the program's executing unit and contracting of its core staff, as agreed upon in advance with the Bank; (iii) announcement of an international public call for proposals for the selection and contracting of the consulting company to support program execution; (iv) approval by the La Paz municipal government of the Operating Regulations agreed on with the Bank for the program; and (v) presentation of the complete baseline for the program (see paragraphs 3.1, 3.2, 3.7, 3.9 and 3.39).

Contracting the consulting firm will be a special condition precedent to putting the first set of program works to tender, except for up to three works in city center for a maximum of US\$700,000 each (see paragraph 3.7).

The following special execution conditions will apply within the following periods: (a) within 6 months after the award of the first of the works in the central urban park, the establishment and startup of the city center development corporation; (b) within 12 months after the first disbursement of the loan, the establishment of a semipublic enterprise called Feria de La Paz and the independent multiservice centers; and (c) within 24 months after the first disbursement of the loan and as a requirement for committing additional program funds for investments in the central urban park, a plan for sustainable maintenance of the park for 10 years after completion of the first

program works, which includes outsourcing of the maintenance services (see paragraphs 2.16, 2.17, 3.27 and 3.10).

**Poverty-targeting and social sector classification:**

This operation qualifies as a social equity enhancing project, as described in the indicative targets mandated by the Bank's Eighth Replenishment (document AB-1704). Furthermore, this operation qualifies as a poverty-targeted investment (PTI) since more than 50% of the direct beneficiaries are poor.

**Exceptions to Bank policy:**

None.

**Procurement:**

Bank rules and procedures will be followed in contracts for works and in the procurement of goods and services.

International competitive bidding will be required for goods costing US\$350,000 and over and for works costing US\$2 million and over. International public calls for proposals will be required for consulting services costing US\$200,000 and over. Consulting services will be selected and contracted in accordance with the Bank procedures established in document GN-2220-10. The Bank may authorize ex post reviews of procurements and contracts below the ceilings for international bids established in this paragraph (see paragraphs 3.30 and 3.31).



## I. FRAME OF REFERENCE

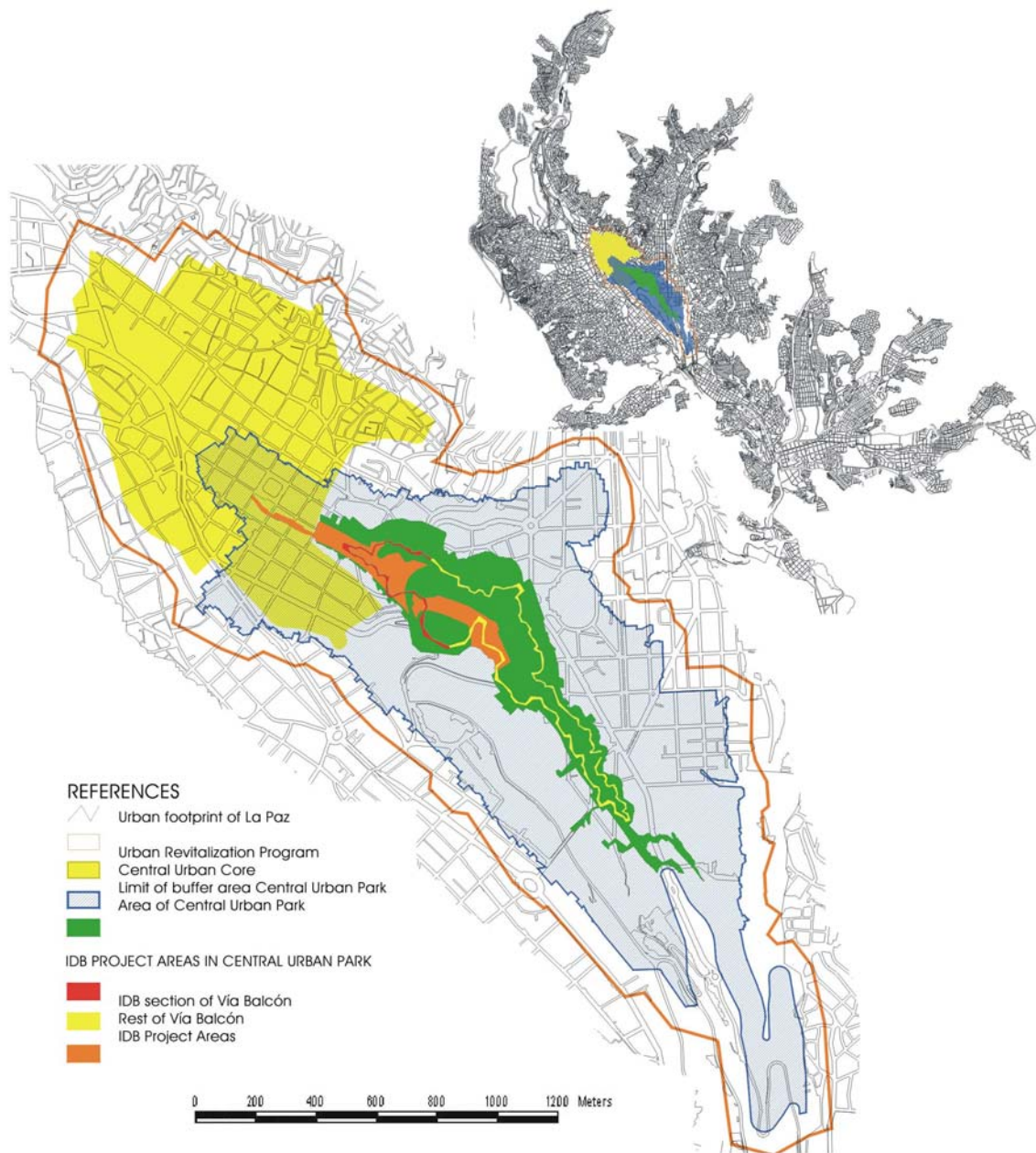
### A. The municipality and downtown La Paz

- 1.1 The municipality of La Paz, seat of the Government of Bolivia, has a population of about 800,000. The city lies at between 3,200 and 4,000 meters above sea level, in a narrow canyon occupied by the La Paz River watershed. In addition to its steep topography, the city is built on unstable ground, which means that 62% to 74% of the urban area is at high risk of landslides, erosion and flooding. The difficult topography led to an historical settlement process that took advantage of the flat areas around the river beds, with government buildings, schools, churches and services clustering in the old part of the city, known as the Casco Urbano Central [Central Urban Core] (CUC).
- 1.2 The city has expanded toward the surrounding hillsides, the municipality of El Alto, and the most affluent residential and commercial zone in the south. However, the CUC continues to be a strong magnet for activities and for large-scale influxes of the floating population and vehicles, especially from El Alto. Estimates indicate that about 200,000 people, or more than 20% of the population of the metropolitan area, visit the city center each day, which occupies an area of less than 1% of La Paz's urban territory. The city center sees daily circulation of 130,000 vehicles, or 77% of the city's vehicle fleet. This concentration of activities and population and vehicle movement in a physical and operating structure with limited absorption capacity has attracted an informal economy that sets up in a haphazard fashion, leading to conflicts over the use of space, overcrowding and degradation of the city center and the expulsion of formal economic activities from the area.
- 1.3 The program proposes to initiate a process to reverse this picture by: (i) financing strategic urban actions to rehabilitate the area and bring private investment back to the city center; (ii) organizing spaces for circulation and commerce downtown; (iii) reducing environmental vulnerability; and (iv) targeting low-income groups that depend on informal activities and make the streets their place of business and home.

#### Box I-1

##### Program area

The Central Urban Core (CUC), which covers 120 ha, was where the city was founded and where the city's main administrative, commercial, service, and educational activities are clustered. It is located in the Center District. To the south and adjoining the core there is a 40 ha area that will be used to construct a central urban park (CPUC). The architectural design of the park was selected in an international competition sponsored by the municipal government of La Paz, with support from the United States Agency for International Development (USAID). The program affects these two areas, which form part of central La Paz (see the map for more details).



## B. Downtown demographics and economy

- 1.4 The CUC has a small resident population of just 16,500 people, in contrast with more than 200,000 users. In the decade 1991-2001, the number of residents has grown at the rate of 0.08% a year, while the population of the municipalities of La Paz and El Alto grew by 1.1% and 5%, respectively. Nuclear families and a high percentage of single-person households and households headed by women predominate in the CUC. In contrast with the population that uses the city center and on the basis of the criterion of unmet basic needs, there are no high levels of poverty among the downtown residents. They live in decent housing, have water and sewer service, adequate fuel for cooking, and electricity. Most have access to health care and good levels of education.

- 1.5 The profile of the user population of the downtown area (an estimated 200,000 people/day) is quite diverse. About 35% is composed of students and teachers who attend the many educational establishments there; 16% are people who work downtown; and 40% are people who visit the area for its public or private services, shops or entertainment.

**Box I-2**  
**The city center on any weekday**

Type of activity	No. of people (thousands)
<b><u>Downtown users</u></b>	≅ 200.0
University students	70.0
University professors	2.4
Public employees	8.5
Workers at markets	1.6
Personnel in fixed establishments	14.0
Street vendors	4.4
Other users	80.0
CUC residents	16.5
CUC area	120 ha
CUC density (people/ha)	3,000 x ha

- 1.6 Economic activities in the center of La Paz take place in fixed commercial or service establishments or in the thoroughfares. The economic activities located in fixed establishments are mainly professional services. On average, each of the 7,000 establishments creates two jobs, largely for relatives of the owner. Most employees are permanent, have secondary or higher education, and 63% of them earn a minimum monthly wage.
- 1.7 Commercial activities in the CUC's thoroughfares are carried out by about 4,400 street vendors, just 6.6% of whom live in the city center; 36% come from the municipio of El Alto and the remaining 57% from other parts of the city. About half of the street vendors have some kind of booth, stall, kiosk or stand, while the others are ambulatory. Most work independently, with 87% in the informal sector, despite the fact that they may belong to an association of some kind.

## C. Main problems affecting downtown La Paz

### 1. Degradation of the environment

- 1.8 The concentration of activities in a physical and operating structure that has not evolved to meet the new needs for drainage, circulation, basic infrastructure and modern buildings has led to a process of degradation in the city center which translates into heavy and frequent flooding, vehicle and pedestrian congestion, pollution, conflicts between formal and informal businesses over the use of space, and obsolete and abandoned buildings. This depletion of the urban structure affects the efficiency and productivity of the country's most important political-administrative and cultural area.
- 1.9 **Historical heritage.** The urban degradation particularly affects the historical heritage. The CUC area is home to 27 national monuments and 573 historical buildings, 60% of which are run down. The flight of investments from downtown and the lack of regulations that are more conducive to restoring these buildings have been the main factors that have led to this situation.
- 1.10 **Infrastructure, urban transportation and drainage.** The downtown has good levels of coverage of water, sewer, electricity and communications. However, a large part of these installations are in poor condition on account of the age of the systems.
- 1.11 With regard to drainage, the entire downtown system has been culverted since 1937. The age of these culverts, the layout of the drainage and sewer systems, which slope parallel to the roads, the loss of permeability of the soil owing to urban development, the insufficiency of the old storm drain intakes in the streets, and the density of use of the city center, which generates huge amounts of trash, are some of the factors that contribute to saturation of the drainage and sewer system downtown, turning the streets into dangerous torrents in the rainy season.
- 1.12 The poor quality of mobility and access to the downtown area is a serious problem. About 80% of the 130,000 vehicles/day that travel downtown are low-capacity public transport units (minibuses, "combies", "carrys", "trufis", taxis, and radio-taxis) under a virtually informal operating system. The heavy vehicular and pedestrian traffic—on roads between 8 and 12 meters wide and sidewalks

#### Box I-3

##### Coordination with other operations in La Paz

The nature and complexity of the **drainage** problem in La Paz makes it necessary to design a master drainage plan and finance structural actions in the system to prevent catastrophes during the rainy season. The municipality is making a start on these actions with support from the Bank (ATN/JC-8537-BO) but they will take some years to complete. To attenuate the problem in the short term, the culverts need to be repaired, street storm drain intakes need to be enlarged and the trash collection system needs to be improved, which are actions that the proposed program will support

In the medium and long terms, the structural problems with **transportation** will be solved by designing and implementing a municipal public transportation plan. The municipality has begun the basic studies with Bank support (ATN/JC-8198-BO), which will later be financed under loan BO-0215 slated for approval in 2005. However, there are smaller scale projects that could alleviate some of these problems in the short term, such as widening sidewalks, microdrainage, turning streets into pedestrian walkways, organizing street vending, and organizing traffic and providing signage in the central area, which form an integral part of this program.

1.5 meters wide—leads to competition for space between vendors, pedestrians and vehicles. This causes problems with road safety, low speeds (3 to 6 km/h) and heavy air and noise pollution.

- 1.13 **Public spaces.** The public spaces in downtown La Paz—squares, streets and parks—are heavily used by the low-income population from the rest of the city and the city of El Alto to carry out subsistence economic activities and as meeting places and recreational areas. This intensive use leads to congestion and conflicts over use that reduce the capacity of the public space to provide services for other downtown activities, commerce, private and government offices, culture, and recreation in other sectors. It is necessary to expand the supply of public space available in the city center, improve its equipment and balance its uses so that the needs of all users can be met and the conflicts that exist today can be avoided. To achieve this, the downtown streets, squares and small parks need to be rehabilitated and redesigned and the area set aside for the central urban park, which is underused, needs to be equipped. This would ease the congestion from activities on downtown streets, ameliorating the negative externalities that this haphazard occupation creates. It would also attract private investments, raise the value of real estate and revert the process of deterioration and congestion in the area.

## **2. Poverty, social vulnerability, and informal business in the downtown area**

- 1.14 Downtown economic activities are mainly conducted by informal microenterprises with fewer than five employees, generally related by family or social ties. Productive activities are generally led by men and commercial ones by women.
- 1.15 Close to 4,400 vendors are active in the downtown streets. They sell a variety of products such as food, textiles, clothing, and footwear, articles for personal and household use, etc.<sup>1</sup> Sixty-four percent have their stalls in the San Francisco area, which is home to 30% of economic activity downtown. Eighty-seven percent of these vendors work illegally, with all or part of their documentation not in order. They live below the poverty line, and 20% live in extreme poverty on the equivalent of US\$1 a day per person. On average they have primary school education, which affects the level of income they can aspire to, despite the fact that they work from 10 to 12 hours a day.
- 1.16 Women account for two thirds of street vendors and most work with their children under 8 years of age, which reduces their productivity and exposes the children to inclement weather, pollution, and lack of hygiene and basic services. About 300 street vendors are under the age of 14. Some of them work as shoeshine boys. Between 80 and 100 children and teenagers live permanently in the downtown

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<sup>1</sup> The variety of products for sale reflects the structure of demand on the local market. Growth in the informal sector in the city over the last decade points to the inability of the formal economy to absorb them.

streets. They are joined by the elderly and the disabled, which turns the city center into a place for begging.

- 1.17 Much of the street trade and trade in fixed stalls in the San Francisco area is based on local cottage-industry production. This production encounters problems owing to its small scale, low productivity, its main focus on the domestic market and self-consumption, poor quality, ignorance of the market and its dynamics and intensive use of poorly paid labor. Informal workers who provide personal services encounter difficulties on account of the poor technical quality of the services they provide and the absence of a network that would optimize the supply of services, boosting productivity in their delivery.
- 1.18 The municipal government of La Paz has insufficient human and material resources to address the problem of vulnerable groups in the streets of the CUC. However, it relies on partnerships with civil society which, in recent years, has made substantial progress in its efforts to build social capital, which permits the municipality to play a more consistent role as promoter of social and economic development policies and supervisor of their execution. The proposed program will help to consolidate these efforts and better coordinate specific policies and actions to assist vulnerable groups and to combat and reduce poverty in the city.

### **3. Shortcomings in municipal management**

- 1.19 **Land management.** The 1999 Municipalities Act gave significant powers over urban development to the municipal governments. La Paz's urban development framework is composed of regulations on land use, settlement and building standards, and other rules and regulations in the process of being passed (such as the new land use plan). An analysis of the regulatory framework indicates the following problems: (a) an excessive number of rules with the subsequent dispersal of legislation and contradictions that are a source of insecurity for real estate investors and for the city government itself; (b) lack of instruments to ensure adequate conservation and maintenance of property and lack of instruments to stem illegal development; (c) lack of specific regulations for special development areas, such as the city center; and (d) shortcomings in the land-use information system for efficient land management.

#### **D. Social participation: the voices of the actors**

- 1.20 To obtain the views of different actors about the problems in the city center, a survey and series of workshops were conducted at the start of the program preparation. Representatives of municipal, provincial and national government agencies, residents and entrepreneurs from the area as well as nongovernmental organizations active there, participated. The results of these activities, which reflect many of the problems that had previously been identified in the diagnostic study, are presented below.

- 1.21 Most of the participants considered the infrastructure to be adequate. They also felt that municipal services to promote cultural activities, organize vehicular traffic, maintain leisure areas, maintain the health care infrastructure, public lighting, the sewer system, and trash collection operate normally. However, they considered that school maintenance, market maintenance and maintenance of public baths is poor.
- 1.22 Among the highest priority problems, the workshops pointed to the poor quality of municipal management, planning and regulation; the informal unstructured sector; chaotic vehicular and pedestrian traffic; deteriorating heritage buildings; the lack of citizen commitment; and corruption. The most relevant solutions included citizen responsibility for generating commitment and will on the part of political, civic, and social leaders to develop the city.

**E. The potential for change in the city**

- 1.23 The analysis and studies carried out identified potentially favorable aspects in the city for bringing about the changes that the program will support. The potential is institutional and political, social and economic, and extends to urban infrastructure. It has been taken into account for the strategic decisions on the content of this program.
- 1.24 The municipal government of La Paz has cleaned up the city accounts, designed a long-term strategy, and is developing a series of activities, including the passage of ordinances to promote better urban development, in order to attract private investment to the downtown area. From the standpoint of urban infrastructure, the city provides adequate coverage of basic services, with the shortcomings mentioned earlier.
- 1.25 Socially, downtown residents enjoy a more comfortable socioeconomic situation, with no basic unmet needs. This will allow the municipal government to target attention and resources wholly to the population that lives and works in the streets. The city has an extensive network of nongovernmental organizations (NGOs) and civil society organizations (CSOs) that provide social services for vulnerable groups. This, in turn, permits the program to concentrate on improving the coordination of the network and expanding the coverage and quality of the services provided. The coinciding views of the different stakeholders about the city's main problems and the will and interest in making a contribution of some kind to solving or reducing them is another asset.
- 1.26 The city center's potential also lies in its local productive microenterprises. With their cottage-industry products, they can supply businesses with fixed locations as well as street vendors, including the many tourists and members of the general public who visit the downtown and San Francisco areas. The capacity for work demonstrated by these workers, artisans, and personal services providers indicates that the program's investments in economic promotion will permit the different

groups to obtain training and technical assistance and therefore improve their market competitiveness.

**F. The municipal government's and the Bank's sector and country strategy**

**1. The municipal government's and the program's strategy**

- 1.27 Based on the municipal development plan approved in 2001, the municipal government has formulated a long-term strategy for attracting new investments to the city center, reversing the process of deterioration and addressing the problems mentioned. The program for the revitalization of downtown La Paz will finance stage one of this process through three interrelated lines of action: (a) renewal of the urban environment; (b) promotion of social and economic development; and (c) strengthening of the municipality's capacity to manage operations and maintain the municipal heritage.
- 1.28 The program's actions form part of an integrated development strategy for the city which seeks to solve, in the medium and long terms, the structural problems of city drainage and transportation, through two Bank loans: (a) one for an investment program for the city's drainage system (BO-0223), whose scope will be defined by the La Paz master drainage plan currently being prepared with technical-cooperation funding (ATN/JC-8537-BO); and (b) a public transportation program for the La Paz metropolitan area (BO-0215), whose scope will be defined in the studies financed under a second technical-cooperation program (ATN/JC-8198-BO). Both loans are in preparation and are slated for approval in 2005.

**2. The Bank's country and sector strategy**

- 1.29 The Bank's strategy for Bolivia is intended to help surmount the challenges faced by the country to close its development gaps.<sup>2</sup> The strategy supports three main lines of action: (i) improving the management and transparency of the State; (ii) supporting the competitiveness and sustainable development of the private sector; and (iii) improving efficiency and equity in the provision of basic services. The program fits in with the third line of action, since it seeks to improve efficiency and equity in the delivery of services that are the municipality's responsibility.
- 1.30 The Bank's strategy for subnational development establishes that the Bank will support the countries in implementing the reforms and institutional strengthening required to establish efficient and democratic subnational governments. This program is consistent with these objectives and, in particular, it supports the following aspects of local government responsibilities highlighted by the strategy:

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<sup>2</sup> The new country strategy for Bolivia for 2004-2007 was presented to the Programming Committee on 11 February 2004 and will be submitted to the Board of Executive Directors shortly.



(i) promoting local economic development; (ii) promoting quality and efficiency in the provision of services; and (iii) financing essential infrastructure to contribute to the well-being of the population and to spur economic activities.

#### **G. Coordination with other international agencies**

- 1.31 The United States Agency for International Development (USAID) has had a large presence in La Paz in the field of urban development. It financed US\$1.7 million in preinvestments to prepare the central urban park project, for which an international call for proposals was issued. It is currently financing stage one of the works for the park for US\$8.9 million, which will be complemented by the investments under the program proposed here.
- 1.32 The French Trust Fund will support the municipal government of La Paz in preparing preinvestment studies for projects in the city center, which could be financed by the program. The Spanish Trust Fund gave valuable support by financing studies for program preparation and the Japanese Trust Fund has provided financing for the master drainage plan.

#### **H. Lessons learned**

- 1.33 In preparing the program, the results were reviewed of other projects in Bolivia and of projects to renew historic downtown areas, particularly the programs for the historic center of Quito (for which a second stage is being prepared) and downtown São Paulo. National experience points to the importance of modernizing methods of contracting works, goods and services, and the structure for management and maintenance of the assets created. International experience points to the institutional challenge presented by urban recovery programs since they require: (i) continued coordination; (ii) leverage of private resources; and (iii) community participation and support. For this reason, projects of this kind have met with greater success when they work with specialized institutions and, particularly, when those institutions are semipublic.
- 1.34 These experiences helped to define an institutional framework for the program which, in this phase, will receive support for execution from a consulting firm. In addition, a program coordination committee has already been established by the municipality and will act as a consultative body. During execution, the final design will be prepared and a semipublic corporation will be created to take over leadership in developing downtown La Paz in the medium and long terms.
- 1.35 International experience in urban renewal also indicates that it is crucial to have a clear and stable regulatory framework and to include a social support component in the project that contains a consensus-building process with the population that is adversely affected by the investments in physical works. When the program was being prepared, ordinances were drafted on downtown development, which will be

complemented during execution and submitted to city council for approval. The program will finance the preparation of social consensus and support plans for the investment projects, to ensure that the actions are agreed upon by all the affected groups.

- 1.36 The program's design also considers lessons learned from the design and execution of programs to assist vulnerable groups, such as youth training programs (Solidarity training—ATN/SF-5413-BR), and the child assistance program (995/OC-BO). Based on them, the program includes aspects such as the use of competitive funds and intensive participation by NGOs and local associations in the delivery of public services, principally social services and training.

## **II. THE PROGRAM**

### **A. Objective**

- 2.1 The objective of the program is to promote the urban, social and economic development of La Paz by reversing the process of the physical and social deterioration in the city center. The purpose is to boost productivity, with social inclusion, through interventions to improve the environmental quality of central La Paz and the socioeconomic situation of vulnerable groups, and to raise the income of people who work downtown.
- 2.2 The program has three components to achieve its objectives: (a) rehabilitation of the urban environment; (b) promotion of social and economic development; and (c) institutional strengthening. The design of the program expressed through its logical framework can be consulted in Annex II-1.

### **B. Program description**

#### **1. Rehabilitation of the urban environment (US\$21.7 million)**

- 2.3 The objective of this component is to reverse deterioration in downtown La Paz by financing public investments to promote a rise in property values, improve the supply of public spaces, circulation, and infrastructure for commercial and service activities, and to reduce the environmental vulnerability of central La Paz. Two subcomponents will be financed to achieve these objectives: (a) strategic urban interventions in the central urban park (PUC); and (b) the upgrading of public spaces in the city center.

##### **a. Strategic urban interventions (US\$8.5 million)**

- 2.4 This subcomponent will finance construction of stage one of the city's central urban park, involving 8 hectares out of a total of 40 hectares, by providing recreational equipment on a metropolitan scale, improving drainage and reducing erosion in the area, thereby raising property values in the vicinity.<sup>3</sup>
- 2.5 The investments in this subcomponent will finance works in the northwest sector of the park, adjacent to the city center, and will complement the works under way in the eastern sector of the park being financed by USAID at a cost of US\$8.9 million. The subcomponent will finance works and services related to the following specific projects: (a) basic infrastructure and services; (b) the vía balcón (a road that is elevated in some sections, with varying widths, which is the main thoroughfare in

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<sup>3</sup> This component will finance specific works whose feasibility was analyzed as a whole, as mentioned in paragraph 4.10.

the park); (c) a walkway along the river bank; (d) public space for temporary fairs; (e) microdrainage and repairs to the culverts of the Choqueyapu River; (f) a plant nursery and reforestation; (g) widening of Bueno Street; and (h) the connection of Montevideo and Poeta streets. Social consensus and support activities will also be financed to sustain execution of the physical works.

**b. Upgrading of public spaces (US\$13.2 million)**

- 2.6 The objective of this subcomponent is to improve circulation and infrastructure for commercial and service activities, increase property values and reduce the environmental vulnerability of the city center.
- 2.7 It will finance investments to improve traffic circulation, drainage, and the supply of public spaces and equipment in the short term, in accordance with the eligibility criteria shown in Table III-1. Preinvestments and the following eligible investment categories will be financed: (a) roads and low-cost transportation; (b) infrastructure for disaster prevention and drainage; (c) public spaces; and (d) infrastructure to support economic development. This component will also finance social consensus and support to sustain execution of the works. In addition to the eligible investment categories, others that are consistent with program objectives could also be included, provided they are agreed on in advance with the Bank.

**2. Promotion of social and economic development (US\$4.5 million)**

- 2.8 This component is intended to improve the quality of life of people who live, work, or use the city center, through social and economic development activities, paying special attention to artisans, microentrepreneurs and small business owners with up to four employees, self-employed workers in the services sector, female heads of households, children under six, and teenagers and youths not attending school and at risk (living in the streets). The component has three subcomponents.

**a. Social development and support for vulnerable groups (US\$2.1 million)**

- 2.9 This subcomponent supports and promotes vulnerable social groups by financing projects to support the social development of vulnerable groups and provide them with assistance. These projects will be financed through a competitive social development fund and selected through public competitions to which civil society organizations that provide services for such groups can present strategic projects to be implemented in the program's area of action. Financing priority will be given to projects involving: (i) assistance for children under six; (ii) return to school for children and teenagers who work in the streets; and (iii) jobs for female heads of households, older adults, and the disabled.
- 2.10 As a mechanism for project selection, it is hoped that the fund will generate the incentives needed to spur novel initiatives for assistance and support for vulnerable

groups, as a contribution to helping the municipality develop its capacity to assist those groups with sufficiently diverse programs to respond to differences in demand. At least 220 projects will be financed to reach a total of 6,600 beneficiaries, at an average cost of US\$300 per beneficiary.

**b. Support for productivity and informal employment in the city center (US\$2.3 million)**

- 2.11 This subcomponent will consist of actions to reduce poverty in the city center, reversing the deterioration in local economic activity and promoting an improvement in the quality of life of the people who live and work downtown. The beneficiaries of these actions will be artisans, microentrepreneurs and small business owners (AMSBs) with companies employing up to four people, vendors in public streets and markets, self-employed workers, and the unemployed in the program's area of activity.
- 2.12 It is estimated that the program will benefit a total of 6,000 people at an average cost of US\$350 per person, facilitating and optimizing their access to training and technical assistance, promoting the coordination of organizational and associative processes, and supporting the development of identified and prioritized productive vocations, thereby strengthening the local social and productive fabric. In organizing the component, the municipality will play the main role in promoting a local development model based on the organization of networks of microentrepreneurs and the integrated supply of business development services for those networks, promoting linkage with private companies in strategic sectors for the promotion of local production and the effective provision of personal services.
- 2.13 The activities to be financed are:
- a. **Competitive productive fund (US\$1.2 million).** Through public competition, these resources will finance proposals for training and technical assistance for joint purchasing, joint sales and production/technology management for AMSBs organized into associations. Training in specific skills and management will be offered to self-employed workers organized in independent multiservice centers (CAMs). The AMSB sectors given priority are the garment industry (cloth and leather), gold and silver jewelry, woodworking crafts, popular art, and tourism.
  - b. **Feria de La Paz: promotion and marketing of fairs (US\$500,000).** The program will finance the necessary studies and activities to establish a semipublic enterprise or a not-for-profit private company with majority participation by associations of AMSBs and minority participation by the municipality, which will be responsible for coordinating and organizing the production cycle, the supply-chain building by AMSBs, and the registration and quality control of their products. Quality will be certified through instruments

such as a “Made in La Paz” seal as a mark for that production to differentiate it from the work of unassociated producers.

- c. **Independent multiservice centers (CAMs) (US\$200,000).** The program will also finance the installation of CAMs to bring together self-employed workers in a body that intermediates between supply and demand for services. The CAMs will coordinate access by their associates to resources from the competitive fund to be used for technical and managerial training, and act as guarantors of the quality and technical competence of the services provided by their associates and of their integrity and competence.
- d. **Economic and social information system (SIES) (US\$400,000).** The objective is to develop databases of basic information and promote the analysis and processing of this information and its dissemination for use by institutions that specialize in the provision of business development services, making for more efficient and less expensive access to information on services that are relevant for the consolidation of the local productive fabric. The system will also process the information necessary for monitoring and evaluating the actions financed by the component, creating the tools needed to measure its performance and impact on the beneficiaries and the program.

**c. Social consensus and support (US\$100,000)**

- 2.14 This subcomponent will consist of actions for consensus building and social support and the monitoring of the beneficiaries of the actions financed by this component, through specific studies to evaluate their impact on the beneficiaries’ living conditions.

**3. Institutional strengthening (US\$2.7 million)**

- 2.15 This component will develop the municipal government’s capacity to design and execute policies and investments for urban development, for economic promotion, and for the provision of social services for the poorest groups, either directly or through companies or organizations. The component will finance technical assistance and equipment under the following subcomponents: (a) La Paz downtown development corporation; (b) strengthening of operating areas; (c) strengthening of the administrative and financial area; and (d) program promotion and dissemination.

**a. La Paz downtown development corporation (US\$200,000)**

- 2.16 The municipal government will create a semipublic corporation to manage the central urban park and promote the development of the center city in the long term. This corporation will take charge of the three main areas that define its mission: (a) awarding contracts for the management of the new public equipment located in the park and in the city center, allowing not-for-profit agencies such as foundations,

NGOs, public institutions, etc. to participate; (b) developing real estate operations in association with private real estate agents, for long-term sustainability, buying and selling lots in the area around the park and in the city center for the construction of office and apartment buildings and hotels, or by intermediating operations for rehabilitation of heritage buildings in the city center; and (c) awarding the conservation and maintenance of the park's open areas through competitive bidding.

- 2.17 This subcomponent will finance activities to establish the corporation. It will be governed by the regulations on joint ventures contained in the Municipalities Act and the Commercial Code. The corporation's articles of incorporation will enable it to concede spaces and specific activities in the central urban park to third parties, such as the maintenance of green areas and the management of restaurants, museums, temporary fairs, etc. The process of opening up the corporation to private partners will be carried out through public bidding. In the event no interested private parties come forward to bid, the corporation's articles of incorporation will provide that the company will be established with 100% public capital and that public and/or private partners can be admitted later.

**b. Strengthening of operating areas (US\$1.5 million)**

- 2.18 **Urban development.** Institutional strengthening in this area is intended to develop urban management tools to create a more stable legal framework for public and private investments and attract private investors to the city center. The subcomponent will finance: (i) the preparation of complementary regulatory instruments to manage urban development; (ii) preparation and implementation of an ordinance for the city center and its annexes; (iii) publication and dissemination of the urban development regulations; (iv) implementation of an integrated information system for land and cadastral management; and (v) development of regulatory tools to encourage private investment in the rehabilitation of heritage buildings in the city center.
- 2.19 **Environment.** The municipality's Senior Technical Office will be supported in the areas of: recycling solid waste, environmental monitoring, early warning and contingencies, and environmental education, through specific projects.
- 2.20 **Social promotion.** Institutional strengthening in this area is intended to develop the capacity to design and implement municipal public policies to combat poverty and promote socioeconomic development in La Paz. The investments to be financed include: (i) development of an action strategy targeted to the municipality's poorest groups; (ii) workshops to disseminate policies for poverty alleviation and the formation of interagency strategic alliances; (iii) study on the nature and make-up of poverty in La Paz, its levels, socioeconomic causes, geographic location, and the development of specific strategies for poverty reduction that take account of their impact on the different vulnerable groups in La Paz; (iv) the design of a system to

monitor policy implementation; (v) a census of governmental and nongovernmental institutions that work to alleviate poverty and promote economic development; and (vi) the development of methodologies to strengthen the institutions that combat poverty and methodologies for monitoring and follow-up.

- 2.21 **Economic promotion.** In the field of economic development, the program will finance studies to define mechanisms for spurring the creation of microenterprises and small businesses, and feasibility studies for a future guarantee fund that will improve access to credit for microentrepreneurs and small business owners.
- 2.22 **Management of concessions.** To support the process of conceding the municipal cadastre, activities will be financed to strengthen the municipal government's capacity for regulation, management, and supervision of concessions of municipal services granted to the private sector, particularly the municipal regulation system (SIREMU) that regulates the municipality's concession contracts.
- 2.23 **Cross-cutting support.** The component will also finance: (a) a training plan for municipal officials in the areas of project planning, management, economic evaluation, follow-up, and monitoring; and (b) computer equipment for the operating areas.

**c. Strengthening the administrative and financial areas (US\$600,000)**

- 2.24 The subcomponent will finance implementation of an institutional strengthening plan for the administrative and financial areas, that includes the following activities: (a) the development of systems for internal auditing, financial administration, administrative organization, personnel administration, administration of goods and services, and operations programming;<sup>4</sup> (b) modernization of the information and communications systems; (c) preparation of the plan for implementing a municipal administrative career path; and (d) consulting services to analyze and formulate a plan to recover arrears and to boost municipal revenues.

**d. Program promotion and dissemination (US\$400,000)**

- 2.25 This subcomponent will finance a publicity campaign, development of a web site, and the methodical arrangement and dissemination of the program's success stories.

**4. Administration and supervision (US\$3 million)**

- 2.26 This component will finance general program administration and support for execution and includes contracting the staff of the program executing unit and a firm to support execution, accounting and financial auditing, and monitoring and evaluation.

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<sup>4</sup> These activities were defined in the evaluation of institutional capacity performed with Bank support (see paragraph 4.4).



### C. Program resources

- 2.27 The program will cost a total of US\$34.1 million and will be financed through a Bank loan of US\$28.5 million from the Fund for Special Operations and a local contribution of US\$5.6 million equivalent. The local contribution will come from the resources of the municipality of La Paz, assigned annually in the budget, with the sovereign guarantee of the Government of the Republic of Bolivia.

### D. Scale, cost and financing

- 2.28 The following were considered in scaling the project: (i) an analysis of investment requirements based on the diagnostic study of downtown La Paz; (ii) an analysis of specific projects and of a sample of typical projects in the areas to be financed by the program; (iii) unit costs of training and unit costs of programs to assist vulnerable groups; (iv) the capacity of institutions to carry out the program; (v) institutional strengthening requirements; and (vi) the municipality's fiscal capacity to provide the counterpart resources and repay the loan.
- 2.29 Table II-1 below presents a breakdown of the cost of the program.

**Table II-1. Cost table**  
(US\$ millions)

Cost category and type	IDB/FSO	Local	Total	%
<b>1. Rehabilitation of the urban environment</b>	<b>17.7</b>	<b>4.0</b>	<b>21.7</b>	<b>64</b>
1.1 Strategic urban development interventions	7.3	1.2	8.5	
1.2 Upgrading of public spaces	10.4	2.8	13.2	
<b>2. Promotion of social and economic development</b>	<b>4.1</b>	<b>0.4</b>	<b>4.5</b>	<b>134</b>
2.1 Social development and support for vulnerable groups	1.9	0.2	2.1	
2.2 Support for productivity and informal employment	2.1	0.2	2.3	
2.3 Social consensus and support	0.1	0.0	0.1	
<b>3. Institutional strengthening</b>	<b>2.3</b>	<b>0.4</b>	<b>2.7</b>	<b>8</b>
3.1 Downtown development corporation	0.2	0.0	0.2	
3.2 Strengthening of operating areas	1.3	0.2	1.5	
3.3 Administrative and financial strengthening	0.5	0.1	0.6	
3.4 Program promotion and dissemination	0.3	0.1	0.4	
<b>4. PROPEF</b>	<b>0.8</b>	<b>0.0</b>	<b>0.8</b>	<b>2</b>
<b>5. Administration and monitoring</b>	<b>2.5</b>	<b>0.5</b>	<b>3.0</b>	<b>9</b>
5.1 Program executing unit	0.7	0.0	0.7	
5.2 Consulting firm to support execution	1.3	0.4	1.7	
5.3 Auditing	0.2	0.0	0.2	
5.4 Monitoring and evaluation	0.3	0.1	0.4	

**Table II-1. Cost table**  
**(US\$ millions)**

<b>6. Financial costs</b>	<b>1.1</b>	<b>0.3</b>	<b>1.4</b>	<b>4</b>
6.1 Interest	0.8	0.0	0.8	
6.2 Credit fee	0.0	0.3	0.3	
6.3 I&S	0.3	0.0	0.3	
<b>TOTAL</b>	<b>28.5</b>	<b>5.6</b>	<b>34.1</b>	<b>100</b>
<b>Percentage</b>	<b>84%</b>	<b>16%</b>	<b>100%</b>	

### **III. PROGRAM EXECUTION**

#### **A. The borrower and the executing agency**

- 3.1 The borrower will be the Republic of Bolivia and the executing agency will be the municipal government of La Paz. The Ministry of Finance will sign a subsidiary agreement with the municipality to regulate the conditions for transferring the proceeds from the Bank loan to it. The agreement will establish that the proceeds will be transferred under the same financial conditions as they were received by the Bolivian government. *The entry into force of the subsidiary agreement will be a condition precedent to the first disbursement of the loan.*

##### **1. The executing agency**

- 3.2 The municipality's Executive Secretariat will be responsible for program execution. The municipal government will establish a program executing unit (PEU) that reports to the Executive Secretariat to carry out the tasks of execution. *Establishment of the PEU and contracting its core staff, as agreed in advance with the Bank, will be a condition precedent to the first disbursement of the loan.*
- 3.3 The PEU will have the following responsibilities: (i) to administer the program's financial resources; (ii) to ensure compliance with the program's contractual conditions, objectives, and targets; (iii) to monitor physical and financial progress and program evaluation; (iv) to approve the terms of reference for contracting consultants, in coordination with the municipal units involved; (v) to revise and approve the technical, economic, financial, institutional, legal, social, and environmental feasibility of the projects; (vi) to revise and approve the processes of procuring goods and services, contracting works and selecting and contracting consulting services; (vii) to liaise with the Vice Ministry of Public Investment and External Financing (VIPFE) and the IDB, preparing and remitting the necessary technical reports and information; (viii) to carry out interagency coordination of the activities financed by the program; (ix) to oversee the works financed by the program; and (x) to administer and supervise the contract of the consulting firm hired to support program execution.
- 3.4 The PEU will be composed of a program coordinator, specialists in financial administration and procurement, social development and economic promotion, and urban development and environmental impact. The PEU's staff will be contracted for five years, subject to an evaluation two years into the contract.

##### **2. The consulting firm to support program execution**

- 3.5 After studying several alternative execution mechanisms and keeping in mind the lessons learned from similar projects, it has been decided that the PEU will

subcontract part of its program execution functions to a consulting firm. The main purpose of this measure is to mitigate the vulnerability of the program to the high turn-over of municipal employees, streamlining execution and making for program continuity.

- 3.6 The consulting firm will have the following responsibilities: (i) to prepare and implement the processes and systems for program administration and monitoring, complementing the municipality's existing systems; (ii) to support the PEU in the physical and financial administration of the program; (iii) to prepare all the studies on the technical, economic, financial, institutional, legal, social, and environmental feasibility of the program's projects; (iv) to prepare the bid documents and carry out the bid processes; (v) to support the PEU in preparing the operating plans and progress reports on the program required by the Bank; (vi) to perform supervision, monitoring, and control of the program's works and procurements; and (vii) to support the PEU in preparing the requests required by the Bank related to the program.
- 3.7 The consulting firm will be contracted through international bidding and the contract will be for four years, subject to an evaluation after two years. The firm will be paid an advance, followed by payments as the outputs are delivered. *Issuing the international bid call for the selection and contracting of the consulting firm will be a condition precedent to the first disbursement of the loan. Contracting the firm will be a condition precedent to calling the bids for the works, except for public bidding on up to three works in the city center, for a maximum of US\$700,000 each.*

### **3. The program coordination committee**

- 3.8 A program coordination committee has been established in the municipal government, which will be responsible for strategic coordination of the program during execution. This group, chaired by the municipality's executive secretary, will be assisted by the program coordinator who will act as the committee's secretary, and will be composed of the following municipal officials: the chief of the land management office, the chief of the cultural office, the chief technical officer, the chief human development officer, the director of economic promotion, the Central District deputy mayor, and the general manager of the central urban park.

### **B. Program execution and administration**

- 3.9 Program execution will be governed by the Operating Regulations. They establish a detailed plan of execution for each component and the project cycle, and eligibility criteria for the projects to develop public spaces and for the projects presented to the competitive funds for social and productive development. A summary of the execution plan for each component follows. *Approval of the program's Operating*

*Regulations by the municipal government of La Paz, in the terms agreed on with the Bank, will be a condition precedent to the first disbursement of the loan.*

## **1. Rehabilitation of the urban environment**

### **a. Strategic urban development interventions**

- 3.10 The subcomponent will finance specific projects for the central urban park that are included in the northwest sector of the park in an area of 8 hectares (see the map and paragraph 2.4). These works will be contracted out by the executing agency through a single international bid and will be carried out in the first three years of the program. The downtown development corporation will be responsible for operating and maintaining the park and, in turn, will contract the services of a company that specializes in operating plant nurseries, and the other equipment required to maintain the park and its installations. Until the corporation is set up, the municipality's central urban park management office will be responsible for operating and maintaining the park. *As a special condition, the downtown development corporation will be established and started up within six months after the award of the first of the works in the central urban park. Within 24 months after the first disbursement of the loan and as a requisite for committing additional program funds for investments in the park, the corporation or the consulting firm hired to support program execution will present a plan for sustainable maintenance of the park for 10 years after completion of the first program works, which will include outsourcing of park maintenance services during that period. The plan will be prepared during the mid-term evaluation of the program.*

### **b. Upgrading of public spaces**

- 3.11 This subcomponent will finance projects in eligible investment categories, which must be located in the city center,<sup>5</sup> except for drainage projects that need to perform work in the upper parts of the watershed to solve a problem that affects the city center. All the projects must comply with the eligibility criteria described in the Operating Regulations, which are summarized in Table III-1. Execution of this subcomponent, which will take five years, will follow the project cycle described in detail in the Operating Regulations and summarized below.
- a. **Project identification and preparation.** The municipal units (the technical, land management, cultural, and economic promotion offices) will identify eligible projects and submit them to the PEU, which will prepare, through the supporting consulting firm, the respective basic and final designs, the feasibility studies, the consensus and support plan, and the environmental fiches.

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<sup>5</sup> Area delimited by the following reference points: to the east, Avenida Sucre, Calle Catacora and Plaza Rioshinio; to the north the intersection of Avenida Pando and Avenida Montes; to the west Calle Illampu, Plaza de San Pedro, Calle Cañada Strongest and Plaza del Estudiante; and the central urban park to the south.

- b. **Approval.** Once all the feasibility studies, the consensus and support plan, and the environmental fiches are ready, the PEU will be responsible for the final evaluation and approval of the projects, applying the criteria established in the Operating Regulations which include, in the case of public service infrastructure projects, approval of the entity to administer the respective service.
- c. **Bids.** Through the consulting firm, the PEU will prepare the bid documents for the works, social support, and the environmental technical specifications. Before putting the works to tender or procuring equipment, the borrower, through the executing agency, will present evidence of the following to the Bank for its nonobjection: (a) the environmental technical specifications of the bid documents, prepared in accordance with the respective environmental fiche approved by the competent environmental authority, and in accordance with the criteria established in the program's plan for environmental enforcement and monitoring; (b) the social consensus and monitoring plan, prepared in accordance with the procedures established in the program's social action plan, and signed by the affected groups; and (c) certification of property title to the land where the works will be built. Prior to starting each work, the executing agencies will present evidence of the commitment of public utility companies that could be affected by the works to cooperate and facilitate their execution.
- d. **Project execution and supervision.** The consulting firm will be responsible for supervision, monitoring, and control of timely execution of the physical works and for implementing the social consensus and support plan and the environmental technical specifications. The firm will be responsible for supervising the works and the social support and environmental activities, and the PEU will be responsible for oversight.
- e. **Monitoring.** With support from the consulting firm, the PEU will monitor execution of the projects and maintenance of the project files, including final designs, the report on the feasibility studies, and the project approval documents. The firm will be responsible for: (i) updating the program monitoring system and recording information on physical and financial progress in the works and on the output indicators in the logical framework; and (ii) updating the information on the program's web page.

**Table III-1**  
**Upgrading public spaces. Eligibility criteria**

Type of project	Eligibility criteria			
	Technical – legal	Socioeconomic	Financial-Institutional	Socioenvironmental
Road and transportation works	<ul style="list-style-type: none"> <li>- Study of impact on traffic</li> <li>- New works tied to the traffic study 2003</li> <li>- Timetable in phases</li> </ul>	Cost-benefit study	- Responsibility for maintenance	<ul style="list-style-type: none"> <li>- Road safety</li> <li>- ETA</li> <li>- PCA</li> </ul>
Infrastructure for disaster prevention and drainage (channels, culverts, landslide control)	<ul style="list-style-type: none"> <li>- The project area has a history of disasters caused by heavy rains</li> <li>- Recurrence period: Choqueyapu River 50 years; sub-basins 30 years</li> <li>- New works tied to the La Paz master drainage plan</li> </ul>	- Cost-benefit study or, where one is not merited, least cost for implementation and maintenance	- Maximum cost per project	<ul style="list-style-type: none"> <li>- Measures to keep the system free from obstructions</li> <li>- ETA</li> <li>- PCA</li> </ul>
Infrastructure to support economic development (markets)	<ul style="list-style-type: none"> <li>- Participation by the affected sectors</li> <li>- Operational and material maintenance of the equipment</li> <li>- Integration of the works into the urban environment</li> </ul>	<ul style="list-style-type: none"> <li>- Maximum areas, socioeconomic profile of beneficiaries</li> <li>- Scaling and cost-effectiveness</li> </ul>	<ul style="list-style-type: none"> <li>- Maximum cost per project</li> <li>- Maximum subsidy per beneficiary</li> </ul>	<ul style="list-style-type: none"> <li>- Include public toilets with sewage treatment</li> <li>- PCA</li> </ul>
Public spaces (squares, parks, etc.)	<ul style="list-style-type: none"> <li>- Cleaning system and refuse containers</li> <li>- Civic and sanitary education</li> <li>- Use of natural materials integrated into the surroundings</li> <li>- Catalogue of specific urban furniture for the project</li> </ul>	- Property values or willingness to pay	- Before the bids, establish responsibility for operation and maintenance	<ul style="list-style-type: none"> <li>- PCA</li> <li>- Include public toilets with sewage treatment</li> <li>- Tree planting and maintenance plan</li> </ul>

## **2. Promotion of social and economic development**

### **a. Social development and support for vulnerable groups. Competitive social development fund**

3.12 The competitive social development fund will operate through three annual public invitations to submit projects, one for each of the lines of assistance to be financed by the program. Civil society organizations interested in obtaining financing will present proposals based on the technical guidelines established in the call for proposals, which will be selected based on defined eligibility criteria. Some 200 projects will be financed, each with a maximum duration of one year. To expand and diversify the supply of services, no CSO may receive financing more

- than twice for the same line of action. The results of the evaluations of the first project will be taken into account for CSOs that apply for financing a second time.
- 3.13 The proposals will be chosen by specific selection committees for each line of action, composed of a minimum of three and a maximum of five experts who have good reputations in the city and/or country, and will be chaired by a technical representative from the city's Human Development Office.
- 3.14 The general criteria for project evaluation, established in detail in the Operating Regulations, include knowledge and a minimum of two years experience in the specific area of the line of action; evidence that the CSO has installed technical and physical capacity to sustain the project activities; capacity to establish alliances with the private sector and other public institutions for project execution; clear and defined criteria for selecting the beneficiaries. In addition to these general criteria, each of the lines of action will have specific criteria basically related to the tie-in of the proposal with specific methodologies for the treatment of each group and the social issues being acted upon.
- 3.15 **Call for proposals.** The Human Development Office (ODH), in conjunction with the PEU and with the support of the consulting firm, will prepare the technical specifications for the projects, which will be attached to the calls for proposals. The consulting firm will be responsible for publishing the invitations to submit projects and for receiving the proposals, which will be given a preliminary examination by the ODH, the PEU and the consulting firm to verify whether they meet the general and specific eligibility criteria for each of the lines of action, to the program's satisfaction.
- 3.16 **Selection committee and evaluation of proposals.** The selection committee will be invited, appointed, and installed by the mayor of La Paz and will be responsible for: (i) developing a point system to evaluate the quality of the proposals, considering their quality, innovative capacity, cost/benefit ratio and the potential impact on the beneficiary population, among other aspects; and (ii) evaluating the proposals based on those criteria to determine which ones merit program financing the most. The committee will present the results of its work to the PEU and ODH.
- 3.17 **Contracting the CSOs.** The PEU, with support from the consulting firm, will prepare the instruments and contract the CSOs selected to provide specific services under the call for proposals.
- 3.18 **Monitoring and evaluation of the projects.** The ODH, with support from the consulting firm and the PEU, will develop instruments to monitor and evaluate the services provided by the CSOs. The consulting firm's team will include specialists in social programs, specially trained to perform this monitoring, who will be supervised by the PEU.



**b. Support for productivity and informal employment in the city center**

**(i) Competitive productive fund**

- 3.19 Training institutions and beneficiary organizations with at least two years experience (in the case of the training institutions) in similar projects will be eligible to apply for funding under the competitive productive fund.
- 3.20 In the event that applicants are associations of AMSBs, priority will be given to those that have been in existence for at least two years. In the event that the applicant is a training institution, it will be required to present a list of interested beneficiaries together with its proposal. A total of 39 joint purchasing and sales projects and 62 joint technology and production management projects for AMSBs with about 40 associates each will be financed, out of a total of 140 projects with close to 6,000 beneficiaries and a maximum cost of US\$6,200.
- 3.21 The organization of a total of 1,200 self-employed personal-services workers into 30 CAMs will be financed, in addition to training in specific services skills and general business skills, such as the preparation of budgets and cost estimates, organization of microenterprise accounts, and other skills necessary to carry out their activities.
- 3.22 The general criteria for project evaluation, described in detail in the Operating Regulations, include knowledge and minimum experience of two years in the specific area of the line of action; evidence that the applicant has installed technical and physical capacity to sustain the project activities; capacity to establish alliances with the private sector and other public institutions for project execution; clear and defined criteria for selecting the beneficiaries. In addition to these general criteria, there are specific criteria related to the proposed business plan and the economic benefits expected from its application.
- 3.23 **Call for proposals.** The Economic Promotion Directorate (DPE), in conjunction with the PEU and with the support of the consulting firm, will prepare the technical specifications for the projects, which will be attached to the calls for proposals. The consulting firm will be responsible for publishing the invitations to submit projects and for receiving the proposals, which will be given a preliminary examination by the PDE, the PEU and the consulting firm, to verify whether they meet the general and specific eligibility criteria for each of the lines of action, to the program's satisfaction.
- 3.24 **Selection committee and evaluation of proposals.** The selection committee will be invited, appointed, and installed by the mayor of La Paz and will be responsible for: (i) developing a point system to evaluate the quality of the proposals, considering their quality, innovative capacity, cost/benefit ratio, and the potential

impact on the beneficiary population, among other aspects; and (ii) evaluating the proposals based on those criteria to determine which ones merit program financing the most. The committee will present the results of its work to the PEU and the DPE.

- 3.25 **Contracting the training institutions.** The PEU, with support from the consulting firm, will prepare the instruments and contract the CSOs selected to provide specific training services under the call for proposals.
- 3.26 **Monitoring and evaluation of the projects.** The DPE, with support from the consulting firm and the PEU, will develop instruments to monitor and evaluate the services provided by the training institutions and the progress identified in the beneficiaries' productive activities. The consulting firm's team will include specialists in social programs specially trained to perform this monitoring, who will be supervised by the PEU.

**(ii) Feria de La Paz and the independent multiservice centers**

- 3.27 Quality control of the products and services offered and provided by the AMSBs and independent beneficiaries of the program will take the form, in the case of the AMSBs, of the Feria de La Paz quality seal. In the case of self-employed workers, the CAMs will guarantee the quality of the services and reliability of their worker members. *The creation of the semipublic company Feria de La Paz and the CAMs within 12 months after the first disbursement of the loan is a condition for execution of the training activities to be financed by the competitive productive fund.*

**3. Institutional strengthening**

- 3.28 The PEU will be responsible for executing the institutional strengthening component during the first two years, in close cooperation with the pertinent units of the municipal government. The PEU will take the terms of reference for each of the activities in the component that form part of the annexes of the Operating Regulations and will prepare the bid documents for the consulting contracts in the first and second years of the program.
- 3.29 The PEU will make a start on the component by carrying out program promotion and dissemination activities through seminars to launch the program, to which the different segments of society that will be affected and groups interested in forming alliances and networks to execute the different actions will be invited. The characteristics of the operation and its operating rules will be explained at the seminars. The PEU will contract the design of a web site to keep the public informed about the program's main actions and progress in them, and will publish announcements about the program at intervals throughout the execution period.

**C. Procurement**

- 3.30 Works, goods and related services paid for with program funds will be procured in accordance with Bank procedures, which will be included in Annex B of the loan contract. Prequalification or registration of bidders interested in works costing US\$2 million and over will be used.
- 3.31 The selection and contracting of consulting services for the program will be carried out in accordance with the Bank procedures established in document GN-2220-10.
- 3.32 The loan contract will establish that the Bank may perform ex post reviews of public bids or other forms of procurement, if any, and of consulting service contracts that are below the international thresholds established in Table III-2, in the extent to which the Bank deems appropriate, taking the capacity demonstrated by the executing agency in complying with Bank procurement policies and procedures into account.

**D. Advances of funds, reimbursement of payments made and justification of the use of resources**

- 3.33 Both the advances of funds and the reimbursement of payments made will follow Bank rules. A revolving fund equivalent to 5% of the loan will be established.
- 3.34 The executing agency will answer to the Bank for: (i) implementation and maintenance of suitable systems for contract administration, accounting and financial administration, and internal auditing for the management of program funds, in accordance with Article 7.01 of the general conditions of the loan contract; (ii) presentation of disbursement requests and justification of expenditures, in accordance with Bank requirements; (iii) presentation of semiannual reports on the revolving fund within 60 days after the end of each period; (iv) preparation and presentation of the program's consolidated financial reports and other financial reports required by the Bank; and (v) keeping exclusive and separate bank accounts for managing the loan proceeds and the local counterpart.

**E. Recognition of expenses**

- 3.35 Expenses and retroactive financing prior to the date on which the Board of Executive Directors approves the loan will not be recognized.

**F. Program monitoring**

**1. Monitoring by the Bank**

- 3.36 Particular attention will be paid to compliance with the conditions established in the Operating Regulations for project preparation and execution and to project eligibility conditions.

## **2. Semiannual progress reports**

- 3.37 The borrower, through the executing agency, will present progress reports to the Bank within 60 days after the close of each semiannual period, with special attention to the institutional strengthening activities, on the actions and activities carried out, outputs and targets achieved, and the main problems encountered and solutions proposed to overcome them. The resources used by component will be indicated, analyzing what was actually used in comparison with what was programmed. The format of the report will be agreed on in advance with the Country Office.

## **3. Program evaluation**

- 3.38 Within 60 days after the end of the first half of each calendar year during the program, the borrower, through the executing agency, will present semiannual interim reports on the procurement and disbursement processes and on compliance with the indicators in the program's logical framework, prepared by the same firm of independent auditors that will prepare the program's audited financial statements. The evaluation will examine the impact of the program, following a methodology agreed on with the Bank, based on the supporting studies, the indicators established in the logical framework, and other instruments agreed on. The main impact indicators to be used in the evaluation include: (a) property values in the program area; (b) net income of people carrying out economic activities in the city center; (c) human losses caused by natural disasters in the area of action; (d) percentage of street vendors in the formal sector; (e) park users; (f) erosion in the park; (g) reintegration of youths and teenagers assisted by the program; (h) jobs found by mothers assisted by the program; (i) revenues from property taxes; and (j) revenues from the tax on business licenses.
- 3.39 The basic studies for program preparation have made it possible to obtain most of the information needed to prepare the baseline for the program's monitoring and evaluation indicators. Also, the final results of the consulting services contracted to consolidate this information and obtain information not available at present should be ready within 60 days. *Presentation to the Bank of the complete baseline to be used in the annual program evaluations is a condition precedent to the first disbursement of the loan.*
- 3.40 Based on the evaluation reports mentioned in the preceding paragraph, and within 60 days after presentation of the semiannual report corresponding to the end of year two of the program, or when 50% of the loan proceeds have been committed, whichever comes first, the executing agency will cooperate with the Bank in conducting a mid-term program evaluation. If, as a result of that evaluation or the semiannual reports or the operational audit reports, it is determined that adjustments need to be made to the program, the executing agency undertakes to take the necessary steps for their timely implementation.

## **G. Disbursement period and term for the commitment of resources**

- 3.41 The investment program will be executed in five years, with 4.5 years to commit the resources, both counting from the date on which the loan contract comes into force. A tentative disbursement schedule is presented below:

**Table III-2**  
**Disbursement schedule**  
**US\$ thousands equivalent**

Source	1	2	3	4	5	TOTAL
IDB/FSO	5,500	8,300	8,500	3,800	2,400	28,500
Local	1,600	1,600	1,400	600	400	5,600
Total	7,100	9,900	9,900	4,400	2,800	34,100
% / Years	21%	29%	29%	13%	8%	100%

## **H. External auditing**

- 3.42 The external financial and operational audits of the program will be performed by a firm of independent auditors acceptable to the Bank, following the Bank's policies and procedures (documents AF-100 and AF-300) and based on the guidelines established in the Bank's standard terms of reference (documents AF-400 and AF-500). The auditing firm will be contracted following the Bank's bidding procedures for external auditors (AF-200). The following reports will be required during the program: (i) audited annual financial statements of the program; (ii) a final audited financial statement of the program; and (iii) semiannual interim reports that include a specific report on the examination of procurement and disbursement processes and of compliance with the indicators in the program's logical framework. Since the executing agency is subject to implementation and evaluation of the recommendations of the system for evaluating the institutional capacity (SECI) of executing agencies, it will not be required to present separate audited financial statements (see paragraph 4.4). The annual reports on the financial statements of the program will be presented within 120 days after the close of the fiscal year. The final report on the program's final audited statements will be presented within 120 days after the final disbursement and the interim semiannual reports will be presented with 60 days after the end of the first half of each calendar year. The auditing costs are included in the program and will be financed from the loan proceeds.

## **I. Ex post evaluation**

- 3.43 It has been agreed with the executing agency that an ex post program evaluation will be performed. The borrower, through the executing agency, will present the Bank with an ex post evaluation report on the impact of the program within 12 months after the final disbursement of the loan. The information from the annual evaluations will be used in that evaluation.

## **IV. JUSTIFICATION, FEASIBILITY AND RISKS**

### **A. Justification**

- 4.1 Composed of a group of social and institutional actions and infrastructure works, the program will have a positive impact on the level of each intervention and overall. Considering the synergies of the different actions, it could lay the groundwork with subnational governments for the strategy to combat urban poverty, by boosting the productivity and income of people using the downtown area as their place of work or recreation. Given the degradation in the city center of La Paz, with negative externalities for the municipality, the program is justified because reversing this trend should be led by the public sector, which is the only sector with the capacity and mandate to solve these ‘market failures’.
- 4.2 The municipal government of La Paz, by selecting a strategy that maximizes the net economic benefits of the program,<sup>6</sup> prioritized sectors and projects as well as the terms and conditions and sequences of program execution.

### **B. Feasibility**

#### **1. Institutional feasibility**

- 4.3 The mayor is the leader of the municipality. The specialized technical support and strategic action level, composed of the Executive Secretary and his advisory bodies (directors of human resources, organizational development, administration, bids and contracts, and planning and control) report to the mayor. There are also seven district offices in La Paz. The program is located in the jurisdiction of the Central District. The municipality has 1,340 employees.
- 4.4 The municipality’s institutional capacity to satisfactorily comply with the commitments it has made for program execution and to effectively and efficiently manage the loan proceeds has been analyzed through a pilot exercise under the system for evaluating institutional capacity (SECI).<sup>7</sup> As a result of the analyses, the strengths and weakness of the municipal government have been identified and an institutional strengthening plan has been designed for the administrative and financial areas, which will be financed under the program.

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<sup>6</sup> Urban centers are created and grow thanks to the economies of agglomeration, externalities and the public goods they offer to their citizens. Therefore, in cities and particularly in their downtown cores, a free market solution is not the optimum solution. This provides social and economic justification for the municipality’s initiative to promote the growth in the supply of public services and goods that the city center requires for revitalization.

<sup>7</sup> This system was developed by ROS/DAU.

- 4.5 The institutional analysis has also taken account of the special needs of the institutional mechanism for executing this program and has proposed a plan that considers three elements: (i) the need to coordinate the municipal units in each of the areas in which the program will act and to serve as liaison between the municipal government and the IDB (a need that is covered by the PEU); (ii) the need to have a unit to support and ensure the continuity of program execution (a need that is covered by the consulting firm); and (iii) the need to have a high-level body for program monitoring (a need that is covered by the program coordination committee).
- 4.6 Since the process of rehabilitating the center of La Paz will extend beyond the end of the program, support will be provided for establishing an entity to manage the central urban park and rehabilitate the city center, and to carry out real estate operations in the area to generate funds for the program's long term financial sustainability. The municipal government will establish a special planning unit for the downtown area, under the land management and cultural offices, which will be responsible for applying the new urban development ordinance for the city center.

## **2. Financial feasibility**

- 4.7 At the end of the 1990s, the municipality of La Paz was in a critical financial situation, with a debt than was higher that the ceiling set by national public credit regulations. This led the municipality to agree on a financial adjustment plan (PRF) with the Ministry of Finance in 2000, which contains commitments and financial goals for a five-year period to clean up the city's finances. In 2003, one year before envisaged in the PRF, the municipality became a 'qualified borrower' since it met the debt indicators established in national legislation. The financial projections (Table IV-1) suggest that the municipal government will continue to generate current surpluses as in the past. These surpluses will increase compared to current income because of: (i) the expected impact on income of the planned measures to modernize the cadastral system and other administrative measures to recover arrears; (ii) contention of current expenditures, particularly personnel costs; and (iii) the reduction in the weight of interest payments on the city's debt as a result of the agreements reached with the Ministry of Finance under the PRF.

**Table IV-1**  
**Financial projections 2002-2012 without the project**  
**(US\$ millions)**

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
	Real	Prel.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
1. Tax income	26.4	26.6	27.6	32.6	37.7	42.4	45.8	48.0	50.3	52.9	55.0
2. Other income	29.6	29.5	30.2	31.2	32.3	33.4	34.4	35.5	36.5	37.6	39.0
3. Current expenditures	-23.8	-19.2	-18.9	-19.2	-19.1	-18.7	-18.3	-18.8	-17.6	-17.3	-17.1
4. Cur. Surplus. (4) = 1+2+3	32.1	36.9	38.9	44.6	50.9	57.2	61.9	65.5	69.1	73.3	76.9
5. (Capital deficit)	-22.6	-23.0	-23.8	-23.9	-24.1	-24.3	-24.4	-24.6	-24.8	-25.0	-25.3
6. Fin. surplus = 4+5	9.5	13.9	15.1	20.6	26.8	32.9	37.4	40.9	44.3	48.3	51.5
7. Net financing	-2.1	-5.56	-4.7	-3.9	-4.0	-3.9	-3.8	-3.9	-4.0	-4.1	-4.1
8. (Other uses)	-7.3	-0.6	-0.6	-0.6	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5
9. Fin. surplus =6+7+8	0	7.75	9.8	16.2	22.3	28.5	33.1	36.5	39.9	43.7	47.0

4.8 **In the projections.** The projected deficit is lower than historical levels since no works have been anticipated that have not already been committed, even though there may be money for them. This frees up annual resources in the projections that will be used to pay the refinanced public debt, cover social obligations and social security contributions, and also obtain financial surpluses to carry out other works, including the financial requirements of the proposed program. The projected annual financial surpluses under the premise in question will rise from the equivalent of US\$7.7 million in 2004 to US\$47 million in 2012 (see Table IV-1).

4.9 In conclusion, the analysis indicates that the municipal government will have the capacity to: (i) adequately service the debt with the national government; (ii) contribute the counterpart funds for the program, which will not be a problem because the increases in municipal income will be sufficient; (iii) make the investments envisaged in the Bank's pipeline related to drainage and urban transportation; and (iv) maintain and operate the works financed.

### **3. Technical and socioeconomic feasibility**

#### **a. Technical feasibility**

4.10 A set of specific projects for the central urban park and a sample of projects for the city center were analyzed. These projects comply with national standards and legislation and were considered technically feasible. The unit costs of materials and labor were defined using indexes estimated on the basis of market prices and it was found that the projects were solutions eligible for financing under the program.

4.11 During the analysis, options were studied for the control of runoff caused by storms in the program area and, in particular, floods in the Choqueyapu and Apumalla rivers. This control will solve one of the main causes of flooding in San Francisco square. The proposals are consistent with the master drainage plan and are being



supported by the municipality's Watersheds Directorate. Geotechnical and risk analysis studies were prepared for central urban park, the Santa Bárbara fault, and the section proposed for Vía Balcón, among others. The recommendations contained in the studies in question have been included in the projects.

- 4.12 The road projects that form part of the program were also reviewed during the analysis. They are consistent with the results of the study of options for actions in the transportation sector in La Paz, which was contracted during project preparation, and with the transportation plan being prepared with Bank support.

#### **b. Socioeconomic feasibility**

- 4.13 The program is designed to have a high positive impact on the urban situation of the city of La Paz, particularly on its historic center. From the socioeconomic standpoint, this is an urban development program. Its effectiveness is measured by changes in the price of urban land and in the well-being of the citizenry. The crucial decision to protect 40 hectares from uses other than those offered to citizens by a park has positive and negative effects on other land uses in the city center, the city, and the metropolitan area. The positive impacts include the externalities on trade, recreation for users, and the other services present downtown. However, the decision to withdraw 40 hectares from other uses such as housing, commerce, etc., also has negative effects. Therefore the integrated evaluation of the program takes account of the total net effect of the projects in an integrated scenario 2010,<sup>8</sup> selected by the political authorities after discussions and agreement with different actors.

#### **c. Analysis of the sample**

- 4.14 An economic evaluation was performed for each project, comparing the costs with the benefits derived from the beneficiaries' willingness to pay or the rise in property values.<sup>9</sup> The analysis is positive with internal rates of return of over 12% in sectors where the benefits and cost-effectiveness could be calculated, as shown in Table IV-2. The analysis of this representative sample also served to establish eligibility

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<sup>8</sup> PROPEF 1119/SF-BO financed an overall economic analysis of the project based on an evaluation of possible scenarios. The evaluation consists of visualizing the city of the future in the metropolitan context and the different options available, as well as policies that are consistent with the objectives. From among the six scenarios analyzed (one without the project and five different scenarios with it), an integrated scenario was chosen that promotes small industry, microenterprise, and highly-productive services such as tourism in the historic center. This evaluation also points to the saturation of the current city center and the need to adopt transportation policies that promote the establishment of new hub areas.

<sup>9</sup> Two basic methods were used: measurement of the rise in values on the real estate market and the willingness to pay of beneficiaries. Consideration was also given to 'avoided costs', particularly in the drainage projects. Last, where the benefits were obvious but difficult to estimate, cost-effectiveness solutions were used for problems in the downtown area.

criteria for assuring the quality and sustainability of the works and actions to be financed under the rest of the program.

**Table IV-2**  
**Analysis of the sample and socioeconomic eligibility criteria**

Eligible sectors	Investment cost (PV) (US\$ thousands)	Total costs (PV) (US\$ thousands)	Benefits (PV) (US\$ thousands)	Eligibility criteria IRER (%) $\geq 12$ NPEV $\geq 0$	Beneficiaries & % low income
SAMPLE	19,680				
SPECIFIC PROJECTS					
Urban development actions in the central urban park	5,584	6,922	8,251	31%	180 m $\geq 50\%$
Basic infrastructure and services	3,229			CE	-
Walkway along the river bank	1,260			CE	-
Temporary infrastructure	578			CE	-
Vía Balcón	932			CE	-
Nursery for central urban park	271			CE	-
Expansion of Calle Bueno	387	580	1,195	615	$\geq 50\%$
Montevideo- Poeta connection					
City center					
Upgrading of public spaces					
<i>Road and city square projects</i>					
Graneros Tiquina	1,181	1,951	2,015	65	30%
Avenida Camacho	704	1,169	1,271	81	163; 100%
E. Valle Comercio	795	1,354	1,645	291	1,099; 30%
Santa Cruz - Calle Honda	239	397	425	28	
<i>Micro- and macrodrainage works</i>					
Rep. Choqueyapu River culverts	1,026			CE	
Repairs to the Apumaya river culverts	525			CE	$\geq 50\%$
Repairs to the covered drains	490			CE	$\geq 50\%$
<i>Economic activity</i>					
Lanza market	3,392	3,929	4,105	175	1,023 $\geq 50\%$

## C. Environmental and social feasibility

### 1. Environmental

- 4.15 The program consists of social investments and physical investments in infrastructure, and seeks to maximize the environmental benefits of the projects by including environmental considerations in their design, operation, and monitoring. Its impact will be positive at the level of each intervention and overall, considering the synergies of the different investments. Rehabilitation of the urban environment is a key for improving the quality of life of people who live or work in or use

downtown La Paz. Urban environmental degradation will be reduced, the landscape will be restored, the impact of unchecked rainwater runoff will be attenuated, the coverage of green areas will be increased and the amount of permeable land will be consolidated, and traffic flows and social intercourse in the city center will be improved. The investments in institutional strengthening will improve the municipal government and its land management capacity, permitting it to act in a more responsive and participative fashion.

- 4.16 Execution of the projects could also have small or moderate negative environmental impacts, including inconvenience for the beneficiary communities and their surroundings, such as noise, transit problems, environmental pollution, occupational and traffic accidents and problems with debris management. Mitigation of these environmental impacts and oversight of compliance with the corresponding laws and standards has been provided for in the program's environmental and social strategy. An EIAS has been prepared under that strategy, which was made available to the public in February 2004 with its corresponding environmental enforcement and monitoring plan (PASA), as called for in the Environmental Act. PASA has been included in the program's Operating Regulations. The municipality's Natural Resources and Environment Directorate (DDRNMA) approved the EIAS and issued the corresponding environmental license in March 2004. PASA contains the measures that will be applied to each type of project and protective measures for each of the stages of works in general. PASA also lists the main rules that govern the design, works and operating stages of the projects. Last, PASA also establishes measures to mitigate risks and other vulnerabilities. Table IV-3 lists several projects and actions included in the program as part of the environmental and social strategy.

<b>Table IV-3. Actions</b>
2.3 Social consensus and support
3.2 Strengthening in operational areas: environment and urban development
Urban development regulations
Environmental monitoring and evaluation
Environmental education of users of the central urban park
Organization of microentrepreneurs for recycling solid waste
Early warning and contingency plan
Environmental control program
3.4 Program promotion and dissemination

## 2. Social

- 4.17 **Social action: social consensus and support.** In accordance with the guidelines of OP-710, the participative methodology for consensus-building and support for the population affected by the works and projects, known as the social action plan (PAS), was designed when the program was being prepared. The methodology reflects the inputs, diagnoses, studies of alternatives, social dialogues, and consultations carried out during program preparation and its outline has been included in the Operating Regulations to guide the preparation of other projects to be financed by the program. Although just 18 families in the central urban park area will be relocated and the actions in the city center do not imply permanent

relocation of most tradespersons, the PAS specifies the processes of consultation and mitigation measures for any impact of these actions on affected families and businesses. The PAS will translate into a social consensus and support plan for each of the projects to be financed by the program. In addition to assisting groups affected by the actions, the PAS also defines the procedures to be followed with specific groups identified in the area, such as indigents, the homeless, and drug addicts, so as to provide comprehensive treatment for beneficiaries. The PAS also specifies the social support measures for people affected by the physical and social actions for a minimum of six months after the work or action is completed and includes progress and impact indicators for the planned actions, with a clear baseline.

- 4.18 Other relevant aspects to be considered in the PAS are: (i) specific measures for the prevention of new invasions of the central urban park; (ii) access for the disabled to the city center and the park; (iii) temporary relocation of street vendors when necessary during the works, which should be agreed to, and maintenance, to the extent possible, of their capacity to exercise the same activities in a different place; and (iv) coordination of social actions with project execution, in a strategy to minimize social conflicts and possible damages to the affected parties. Families and street vendors will be relocated gradually as the works progress and in accordance with progress in the agreements between the municipality and the affected parties.
- 4.19 **Participative aspects of program preparation.** Different instruments have been used in program preparation to ensure broad consultation and participation by the population affected by the actions. The analysis of the program's social feasibility took the results of this process into consideration which, among other things, made it possible to identify the priorities of the city's population for the downtown urban space. The decisions on specific investments were based on participative diagnoses and the intensive involvement of the beneficiaries (see paragraph 4.18).
- 4.20 **Gender issues, social inclusion, and assistance for vulnerable groups.** Social inclusion actions for the population that lives and/or works in the streets place particular emphasis on assistance for women, through training to boost their income-earning capacity. Assistance for children and teenagers stresses daycare services, early stimulation for children under six, and return-to-school programs for teenagers as basic tools to be used in the effort to break the vicious cycle of poverty and provide children and youths with the protection and social capital they need to obtain job opportunities and options, reducing their exposure to the social risks that are typical of life in the streets, such as drug addition and child prostitution. Much of this population is of indigenous origin from the High Plateau and the projects to be carried out under the competitive social fund should consider this in the criteria to be used in evaluating the proposals.
- 4.21 **PTI and SEQ classification.** The project qualifies as a social equity enhancing project (SEQ), as described in the indicative targets mandated by the Bank's Eighth

Replenishment (document AB-1704), since its actions to assist vulnerable groups that live and/or work in the streets (children and teenagers, women with children under the age of six, the disabled and elderly adults, street vendors and self-employed workers) promote greater social equity in the city of La Paz (see paragraphs 2.9 and 2.11). The program also qualifies as a poverty-targeted investment (PTI) since over 50% of the direct beneficiaries belong to low income groups (see Table IV-2). The vast majority of beneficiaries of the social and economic programs are poor. The municipal government will be using part of the additional financing.

## **D. Benefits and risks**

### **1. Benefits**

- 4.22 The main benefit of the program is economic and social development in downtown La Paz by attracting, promoting, and maintaining economic activities that are compatible with the rehabilitated city center and translate into an increase in property values in the project area, an improvement in the socioeconomic situation of the vulnerable groups assisted by the program, an increase in the net income of people who work downtown, and a reduction in human and material losses in the area caused by natural disasters.
- 4.23 The social benefit of the program will be its capacity to promote and expand social inclusion in downtown La Paz. It will benefit groups that have been traditionally overlooked or excluded from urban development processes, providing alternative solutions for street vendors and for people living in the streets,<sup>10</sup> and will provide consistency and comprehensiveness for the services presently provided by the municipality to this population segment. In parallel, the economic promotion actions will help to spur the local production process, improving the quality of products and the productivity of AMSBs and giving independent workers who provide personal services technical and managerial tools to improve their quality. In both cases, the benefits will translate into a significant improvement in the incomes of the beneficiaries.
- 4.24 As a complement, from the institutional standpoint, the program will consolidate the participative decision-making model already being used by the municipal government, consolidating its main achievements, particularly the capacity to mobilize social capital to solve the city's most pressing problems.
- 4.25 When this operation was being prepared, methodologies for social participation and consensus were revised so they could be used in preparing the actions of the

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<sup>10</sup> Particularly mothers and their children, children and teenagers at risk, etc. Many of these people are of indigenous origin.

different institutions involved in program execution, thereby assuring the technical quality of the process.

## **2. Risks**

- 4.26 The program is fully supported by the national government. Even so, the first risk is that the fragile political situation in Bolivia could deteriorate suddenly and result in new social confrontations as in 2003 and in a consequent disruption of the social fabric and the current institutional setup. A situation of this kind could cause difficulties in executing the program. Accordingly, contractual mechanisms have been included to minimize or reduce the risks, together with the consent and commitment to the program by the population of La Paz.
- 4.27 These same instruments could mitigate or eliminate the risk that the program might not achieve its objectives due to potential political-administrative changes as a result of the municipal elections to be held at the end of this year. High participation by the population of La Paz—direct and indirect beneficiaries of the investments—in the program, the building of consensus among the different groups involved, stress on corresponsibility in the program's outcomes, coupled with contracting a consulting firm to support program execution, will ensure the institutional continuity needed for execution, reducing or eliminating the risk of political-administrative discontinuity.
- 4.28 Another institutional risk is the municipality's capacity to coordinate the different municipal agencies with the private investors who will be responsible in the end for ensuring that the benefits materialize. The establishment of a coordination committee, strengthening the municipality to play its role as coordinator, contracting the consulting firm, and the Operating Regulations and annexed legal instruments are fundamental for mitigating this risk.
- 4.29 For the program to have the desired long-term impact, it would be advisable to have specific urban development ordinances and a downtown development corporation. However, there is a risk that these provisions will not be enacted by the municipal council. Since everyone involved in decision-making under the program has participated intensively and the council has been consulted during program preparation, this risk is low. It would not affect program execution, since there already is an adequate institutional and operating framework in place for the execution period.

**PROGRAM FOR THE REVITALIZATION AND URBAN DEVELOPMENT OF LA PAZ  
(BO-0216)**

Narrative summary	Indicators	Means of verification	Main assumptions
<p><b>Goal of the program</b> To promote social and economic development by addressing poverty and reversing the process of deterioration in downtown La Paz.</p>	<ul style="list-style-type: none"> <li>• Rise in downtown property values.</li> <li>• Increase in the net income, production, and sales of people working downtown.</li> </ul>	<ul style="list-style-type: none"> <li>• Results of the survey of property owners.</li> <li>• Records of AMSBs and CAMs containing information on income, production volumes, sales volumes, destination of sales (local, national or international).</li> </ul>	
<p><b>Purpose of the program</b> To boost productivity with social inclusion in the downtown area through actions to improve the economic, social, and environmental situation there.</p>	<ul style="list-style-type: none"> <li>• 50% of the beneficiaries of component 2 improve their socioeconomic situation.</li> <li>• Reduction in the percentages of informal street vendors, with formal operations rising from 13% today to at least 50%.</li> <li>• Increase of 10% in property values in the program's area of action.</li> </ul>	<ul style="list-style-type: none"> <li>• Notices in the media on the purchase and sale of downtown properties.</li> <li>• Records of downtown real estate companies.</li> <li>• Municipal socioeconomic databank (baseline).</li> <li>• Program monitoring reports.</li> <li>• Municipal records on responses to risks.</li> <li>• Opinion poll on the program.</li> </ul>	<p>Political, economic, and social stability in the country.</p> <p>The bids for aerial photography and digitization services have been contracted and concluded by the central government.</p>
<p><b>1. Rehabilitation of the urban environment</b> <b>1.1 Strategic urban development interventions</b> Stage one of the central urban park built, offering recreational equipment on a metropolitan scale, improving drainage, halting erosion, and increasing property values.</p>	<p><b>Outcome indicators</b></p> <ul style="list-style-type: none"> <li>• 200,000 visitors a year in the first year the park is operating and an increase of 1.5% in visitors each year.</li> <li>• In the third year the park is operating, an increase of 15% in nearby property values.</li> </ul> <p><b>Output indicators</b> By year 3, in 8 hectares in the northern sector of the park:</p> <ul style="list-style-type: none"> <li>• Basic infrastructure and services, walkway on the river bank, space for temporary fairs, Via Balcón, plant nursery, forestation, calle Bueno and Poeta-Montevideo concluded.</li> <li>• 18 low- and middle-income families relocated; 129 indigent people assisted; 186 businesses relocated.</li> </ul>	<ul style="list-style-type: none"> <li>• Records of the number of visitors to the park.</li> <li>• Geological and geotechnical report on soils.</li> <li>• Cadastre and rise in property assessments in the vicinity of the park.</li> <li>• Construction supervision reports on works in the park and program monitoring reports.</li> </ul>	<p>The public identifies with the central urban park project.</p>

Narrative summary	Indicators	Means of verification	Main assumptions
<p><b>1.2 Rehabilitation of public spaces</b></p> <p>Circulation and infrastructure for commercial and services activities is improved, property values rise and vulnerability to disasters in the downtown core is reduced.</p>	<p><b>Outcome indicators</b></p> <p>In year 5 of the program:</p> <ul style="list-style-type: none"> <li>• At least 80% of city residents approve of the results of the program.</li> <li>• Average vehicle speed <math>\Delta</math> 0,60 km/hr in the city center (from 5.3-5.9 km/hr at present).</li> <li>• The effective width of sidewalks in the main downtown intersections is doubled (from 1.2 m to 2.4 m wide).</li> <li>• 50% reduction in waiting time on account of flooded streets after severe weather events.</li> </ul> <p><b>Output indicators</b></p> <ul style="list-style-type: none"> <li>• Graneros Tiquina, Mariscal Santa Cruz streets and Camacho avenue, and culverts on the Karahuichinka, Mejahuira, San Pedro and Soqueri rivers concluded in the year 2.</li> <li>• Comercio-Evaristo Valle street, the Lanza market, San Francisco square and repairs to the culverts on the Apumaya river concluded in year 3.</li> <li>• At least four more downtown projects executed in year 5.</li> <li>• Square meters of sidewalks built (including conduits for electric and communications cables), m<sup>2</sup> of roads rehabilitated, urban furniture installed (number of public toilets, telephone cabins, kiosks, bus stops, sales stalls), number of traffic lights.</li> <li>• 800 street vendors who receive job retraining each year have found jobs.</li> </ul>	<ul style="list-style-type: none"> <li>• Results of the opinion polls on the downtown image.</li> <li>• Records of vehicle and pedestrian accidents downtown.</li> <li>• Cadastre and property assessments in the downtown area.</li> <li>• Results of the survey on verification of the change in use of property.</li> <li>• Results of the study on informal businesses (socioeconomic baseline).</li> <li>• Results of the field study on job retraining (socioeconomic baseline).</li> <li>• Report on municipal revenues.</li> <li>• Report by trade organizations on informal business and job retraining.</li> <li>• Reports by the municipality's Directorate of Traffic and Roads and the Traffic Operations Agency on the traffic flow downtown.</li> <li>• Construction supervision reports.</li> <li>• Records on the delivery of works.</li> <li>• Invoices for goods purchased and services contracted.</li> <li>• Contracts for specific works.</li> </ul>	<p>The civil society actors involved in execution and maintenance of the projects maintain their commitments and support.</p>



Narrative summary	Indicators	Means of verification	Main assumptions
<p><b>2. Promotion of social and economic development</b>  <b>2.1 Social development and support for vulnerable groups</b>  Competitive fund to finance projects executed by civil society organizations that provide suitable services for children under six, return-to-school programs, and jobs for people in vulnerable situations.</p>	<p><b>Outcome indicators</b></p> <ul style="list-style-type: none"> <li>70% of the 1,200 youths and adolescents assisted by the program have returned to school.</li> <li>50% of the 1,200 female heads of households have returned to the labor market, with daycare for their children under 6 (at least 1,200 children assisted in 4 years).</li> <li>50% of 600 older adults and 600 disabled beneficiaries have the capacity to earn income from the skills they learned during training.</li> </ul> <p><b>Output indicators</b></p> <ul style="list-style-type: none"> <li>3 competitions a year during the program to finance 220 projects in 4 years with 6,600 beneficiaries.</li> </ul>	<ul style="list-style-type: none"> <li>Annual supervision reports on projects to assist children under 6.</li> <li>Records on beneficiaries of the competitive social fund.</li> <li>Annual supervision reports on the return-to-school and employment projects.</li> <li>Records on project beneficiaries.</li> <li>Reports on tracking the beneficiaries for six months.</li> <li>Selection reports by the experts on the selection committees for the competitive social fund.</li> <li>Contracts signed for project execution.</li> <li>Surveys of satisfaction by beneficiaries and civil society organizations.</li> </ul>	<p>The sectors involved maintain their agreement and support for project execution</p>
<p><b>2.2 Support for productivity and informal employment in the city center</b>  To improve the conditions of production, productivity, and competitiveness in beneficiary AMSBs; to promote associations and marketing of quality products.  To improve service conditions for clients of self-employed workers who provide personal services.</p>	<p><b>Outcome indicators</b></p> <ul style="list-style-type: none"> <li>Increase in the productivity and competitiveness of AMSBs in the downtown area, measured by the increase in their income and in their capacity to sell their products.</li> <li>Increase in the income of self-employed workers who are CAM associates.</li> <li>Development of strategic alliances with the private sector and other institutions by the CAMs and Feria de La Paz, which are undertakings to attract investments and private partnerships with similar industries and businesses.</li> <li>80% of the program beneficiaries view the results of the actions as positive.</li> </ul> <p><b>Output indicators</b></p> <ul style="list-style-type: none"> <li>Productive and social tissue strengthened by establishing the company Feria de La Paz, composed of 80 groups with 40 members each, for training, technical assistance, promotion, and marketing of their products.</li> <li>AMSBs associated and organized in at least 12 new CAMS.</li> <li>100% of CAM members trained in technical and</li> </ul>	<ul style="list-style-type: none"> <li>Records of AMSBs containing information on income, production volumes, sales volumes, destination of sales (local, national or international).</li> <li>Feria La Paz activities report.</li> <li>CAM activities reports.</li> <li>SIES.</li> <li>Surveys of beneficiary satisfaction.</li> <li>Program monitoring and supervision reports.</li> <li>Records on beneficiaries.</li> </ul>	<p>The sectors involved maintain their support for project execution.</p>

Narrative summary	Indicators	Means of verification	Main assumptions
	managerial skills. <ul style="list-style-type: none"> <li>Economic and social information system (SIES) operating, databanks developed and full access by beneficiaries to information.</li> </ul>		
<b>2.3 Social consensus and support</b> To provide for actions to support vulnerable groups, productivity, and informal jobs in the downtown area.	<b>Outcome indicators</b> <ul style="list-style-type: none"> <li>75% of people affected by the program consider that the processes and procedures were adequate.</li> <li>80% of temporary or permanent relocations take place on time.</li> </ul> <b>Output indicators</b> <ul style="list-style-type: none"> <li>Social consensus and support plans are under way.</li> <li>The affected population reaches a consensus on a solution.</li> </ul>	<ul style="list-style-type: none"> <li>Program monitoring reports.</li> <li>Specific records on support services.</li> <li>Surveys of beneficiaries.</li> </ul>	
<b>3. Institutional strengthening</b>  <b>3.1 Downtown development corporation</b>	<b>Outcome indicators</b> <ul style="list-style-type: none"> <li>Increase of 5% in revenues from the property tax and of 3% from the tax on business licenses downtown in year 5 of the project.</li> </ul> <b>Output indicators</b> <ul style="list-style-type: none"> <li>Downtown development corporation operating in year 1.</li> </ul>	<ul style="list-style-type: none"> <li>Municipal financial projections.</li> <li>Municipal regulations for establishing the corporation.</li> </ul>	

Narrative summary	Indicators	Means of verification	Main assumptions
<p><b>3.2 Strengthening of policies and operating areas</b></p> <p><b>3.3 Administrative and financial strengthening</b></p> <p><b>3.4 Program promotion and dissemination</b></p>	<ul style="list-style-type: none"> <li>• Strategy for the poorest groups in the municipality approved.</li> <li>• NGOs and CSOs offering services for vulnerable groups strengthened and with better assistance capacity.</li> <li>• Downtown ordinance drafted and disseminated in year 1.</li> <li>• Environmental projects and early warning and contingency plan for environmental control concluded in year 2.</li> <li>• Rules on concessions drafted, regulatory body strengthened, client service system implemented, citizen awareness raised.</li> <li>• 50 training events for an average of 100 city employees in year 3.</li> <li>• Provision of computer equipment in year 3.</li> <li>• Financial administration system implemented in year 1.</li> <li>• Workshop to launch the project in year 1. An annual announcement in years 2, 3, 4 and 5, publicizing the program in the main communications media.</li> <li>• Web page created with information on the program in year one and updated in years 2, 3, 4 and 5.</li> </ul>	<ul style="list-style-type: none"> <li>• Program monitoring report.</li> <li>• Financial administration and human resources tools used by NGOs and CSOs.</li> <li>• Survey of NGO service providers.</li> <li>• Surveys of beneficiaries.</li> <li>• Announcements in the media.</li> <li>• Program web page.</li> </ul>	

**Tentative procurement plan**

<b>Main procurements</b>	<b>Source of financing</b>	<b>Total (US\$ thousands)</b>	<b>Procurement method</b>	<b>Estimated date</b>
<b>Component 1: Rehabilitation of the urban environment</b>				
<b>Strategic urban interventions.</b> Projects in the central urban park: infrastructure, walkway on the riverbank, temporary infrastructure, Via Balcón, nursery and forestation, culverts for the Choqueyapu River, Calle Bueno and Montevideo-Poeta connection	84% IDB 16% Local	US\$8,500	ICB	2005
<b>Upgrading public spaces.</b> Projects downtown: Graneros Tiquina, Comercio-Evaristo Valle and repairs to the culverts for the Apumaya River	84% IDB 16% Local	US\$2,700	ICB	2005
Projects downtown: Lanza Market, Av. Camacho, Av Mariscal Santa Cruz, San Francisco Square	84% IDB 16% Local	US\$4,300	ICB	2005
Repair of culverts and drains for the Karahuichinka, Mejahuira, San Pedro, Soqueri rivers	84% IDB 16% Local	US\$100	LCB	2005
5 works to upgrade public spaces downtown, at an average estimated cost of US\$1 million	84% IDB 16% Local	US\$6,100	ICB	2006/2008
<b>Component 2: Promotion of social and economic development</b>				
<b>Social development and support for vulnerable groups.</b> 3 competitions a year to finance 220 projects in 4 years at an average cost of US\$10,000	84% IDB 16% Local	US\$2,100	OCP	2005/2008
<b>Support for productivity and informal employment.</b> 4 competitions a year in the first 3 years to finance 206 projects in 4 years at a maximum cost of US\$6,200	84% IDB 16% Local	US\$1,200	OCP	2005/2008
3 consulting firms to establish and consolidate the entity Feria de La Paz (\$500,000), install the CAMs (\$200,000), and design the information system (\$400,000)	84% IDB 16% Local	US\$1,100	ICB	2005

**Tentative procurement plan**

<b>Main procurements</b>	<b>Source of financing</b>	<b>Total (US\$ thousands)</b>	<b>Procurement method</b>	<b>Estimated date</b>
<b>Social consensus and support.</b> 5 consulting firms contracted jointly with the works	84% IDB 16% Local	US\$100	ICB	2005/2008
<b>Component 3: Institutional strengthening</b>				
Different consulting services and procurements of equipment	84% IDB 16% Local	US\$2,700	LCB/ICB	2005/2008
<b>Administration and supervision</b>				
Individual consultants for the program executing unit	84% IDB 16% Local	US\$700	LCB/ICB	2005
The consulting firm to support execution	84% IDB 16% Local	US\$1,700	ICB	2005
Auditors	84% IDB 16% Local	US\$200	ICB	2005/2008
Different consulting services for monitoring and evaluation	84% IDB 16% Local	US\$400	LCB/ICB	2005/2008

LCB – Local competitive bidding; ICB – International competitive bidding; OCP – Open call for proposals